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ABSTRACTS

Equality, Employment, and Budgetary Restraint

The Trilemma of the Service Economy

By TORBEN IVERSEN and ANNE WREN

This article presents an analysis of the postindustrial economy from a political economy perspective. It identifies a set of specific distributional trade-offs associated with the new role played by the services sector as the chief source of employment growth in advanced democracies over the last three decades. It is argued that three core policy objectives—budgetary restraint, wage equality, and expansion of employment—constitute a political "trilemma" that allows only two of the goals to be successfully pursued at the same time. Using a combination of statistical and case-oriented analysis, the authors demonstrate the political and economic salience of the trilemma, the distributional tensions inherent in each strategy to cope with it, and the political-institutional constraints under which these strategies are chosen.

Contentious Politics in New Democracies

East Germany, Hungary, Poland, and Slovakia, 1989–93

By GRZEGORZ EKIERT and JAN KUBIK

The article reconstructs and explains the patterns of collective protest in four Central European countries: former East Germany, Hungary, Poland, and Slovakia during the early phases of democratic consolidation (1989–93). The method of event analysis of protest behavior is employed. Content analysis of six major newspapers in each country provides empirical evidence. The examination of data reveals striking contrasts in the magnitude and forms of protests. In each country the policies of the new democratic regimes were contested by different groups and organizations, employing different repertoires of contention. The authors consider propositions derived from four theoretical traditions—relative deprivation, instrumental institutionalism, historical-cultural institutionalism, and resource mobilization theory—to determine which provides the best explanation for the patterns observed in the data set. Three main conclusions are reached. First, the levels of "objective" or "subjective" deprivation are unrelated to the magnitude and various features of protest, which are best explained by a combination of institutional and resource mobilization theories. Second, democratic consolidation is not necessarily threatened by a high magnitude of protest, since the two seem to be unrelated. Third, if the demands of collective protest are moderate and the methods routinized, then protest may contribute to the robustness of a new democracy.

Grand Strategy and Foreign Economic Policy

British Grand Strategy in the 1930s

By LARS S. SKÅLNES

Variation in the need for military and political support from military allies affects the degree to which foreign economic policies will discriminate in favor of military allies and against adversaries and other countries. Powers in need of such support will pursue discriminatory foreign economic policies in order to change the configuration of domestic interests to favor not only closer economic relations but also closer political relations. By strengthening domestic support for an alliance, policymakers make it more difficult for their allies to renege on alliance commitments. Stronger political relations in turn reinforce the deterrent effect of the alliance. Because the net strategic benefits from closer relations in their case are lower, powers that can go it alone without support from allies will refrain from discriminatory policies. Shifts in strategic need make it possible to explain variation in the links between security considerations and foreign economic policies within alliances over time and also across alliances. British grand strategy in the 1930s illustrates how shifts in strategic need influence the degree to which foreign economic policies discriminate in favor of potential military allies.

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THE RISE OF INTERNATIONAL ENVIRONMENTAL POLITICS
A REVIEW OF CURRENT RESEARCH
By MICHAEL ZÜRN

This review article identifies five research themes in the study of international environmental politics. Among them, the research on regime effectiveness and on transnational networks has the greatest potential for becoming a driving force in the search for new avenues in the analysis of international relations. Although at the moment less is known about regime consequences and the role of transnational networks in international environmental politics than about regime formation, the former two have recently produced research questions and strategies that seem to be promising. However, the study of regime effectiveness and transnational networks requires more sophisticated research strategies in order to realize its full potential. Although the concept of causal mechanisms used in this research strand seems to be an extremely innovative and promising approach, it needs to be developed in more detail and backed up by comparative designs.

REALITY CHECK
REVISING THEORIES OF INTERNATIONAL POLITICS IN RESPONSE TO THE END OF THE COLD WAR
By WILLIAM C. WOHLFORTH

The end of the cold war has produced a sustained debate on international relations theory. Some scholars argue that the unexpected and unexpectedly peaceful demise of the post–World War II international order undermines the entire research agenda of the subfield; others maintain that it warrants an adjustment of the balance between theories or theoretical traditions; and still others hold that it has little or no relevance to theory. This essay reviews the debate in light of the new evidence that has accumulated over the past five years. It finds that because scholars rarely make the empirical implications of their arguments explicit, the cascade of new information concerning the event cannot advance the debate. However, the natural focus provided by a sudden and unexpected event of seminal importance and the outpouring of new data suggest the possibility of empirically driven progress in one's understanding of change in world politics. The article concludes with guidelines designed to increase the likelihood of such progress by clarifying the debate in advance of new releases of primary data.

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EQUALITY, EMPLOYMENT, AND BUDGETARY RESTRAINT
The Trilemma of the Service Economy

By TORBEN IVERSEN and ANNE WREN*

INTRODUCTION

THE two decades since the late 1970s have seen significant changes in the economic structure of advanced democratic societies. Compared with the 1960s the level of unemployment has doubled or tripled in many countries, inequality has risen dramatically in others, and tighter fiscal constraints have reduced the capacity of governments to cope with these problems through expansion of the public sector.

The dominant approach to explaining this new "problem load" and the failure of governments to cope with it has been to look for causes in the global economy. Thus, (1) the internationalization of capital markets has been blamed for a reduction in the macroeconomic steering capacities of governments.[1] (2) Growing levels of transnational investment have been seen to strengthen the structural power of capital and undermine the capacity of governments to pursue distinct social and economic policies.[2] And (3) greater exposure to low-wage competition from newly industrializing countries has been said to produce a universal rise in the level of wage dispersion and/or unemployment.[3]

*An earlier version of this paper was presented at the annual meeting of the American Political Association, San Francisco, August 29–September 1, 1996. We would like to thank Alberto Alesina, Thomas Cusack, Jorge Dominguez, Geoffrey Garrett, Andrew Glyn, Peter Hall, Paul Pierson, Jonas Pontusson, David Soskice, John Stephens, Peter Swenson, and Kathleen Thelen for many helpful comments. Both authors gratefully acknowledge financial support from the Wissenschaftszentrum Berlin. Anne Wren also gratefully acknowledges financial support from the Program for the Study of Germany and Europe, Center for European Studies, Harvard University, and the Social Science Research Council.

[1] See Fritz Scharpf, *Crisis and Choice in European Social Democracy* (Ithaca, N.Y.: Cornell University Press, 1991); Eric Helleiner, *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s* (Ithaca, N.Y.: Cornell University Press, 1994).

[2] See Paulette Kurzer, *Business and Banking* (Ithaca, N.Y.: Cornell University Press, 1993); Wolfgang Streeck, "German Capitalism: Does It Exist ? Can It Survive ?" in Colin Crouch and Wolfgang Streeck, eds., *Political Economy and Modern Capitalism: Mapping Convergence and Diversity* (London: Sage, 1997).

[3] See Adrian Wood, *North-South Trade, Employment and Inequality* (Oxford: Clarendon Press, 1994); Edward E. Leamer, "A Trade Economist's View of U.S. Wages and 'Globalization'" (Paper presented at the Political Economy of European Integration Study Group Meeting, University of California, Berkeley, January 1996).

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This paper advances a different explanation, one that places much greater emphasis on processes of economic transformation and political-institutional conditions at the national level. Although we do not claim that globalization is unimportant, we do contend that explanations focusing almost exclusively on this factor tend to overemphasize the salience of the internationally integrated manufacturing sector and underestimate the growing salience of the largely nontraded services sector. For example, in focusing on employment and wages in manufacturing, trade economists overlook the fact that the most important generator of jobs, especially at the low end of the wage scale, is in the nontraded services sector. Similarly, arguments about the transnationalization of investment are primarily relevant to manufacturing, since most services can be supplied only on location and not through trade. Finally, although integration of capital markets undoubtedly renders active Keynesian demand management less feasible, government policies toward public and private services (public employment, competition policies, and so on) are having a growing impact on employment outcomes.

In contrast to the globalization literature, this paper argues that the most important change in the advanced liberal democracies over the past three decades has been the transition from an economy dominated by (exposed) manufacturing production to one dominated by (sheltered) services production.[4] Borrowing from portions of the emerging literature on the postindustrial society, the paper develops a political-economic model of the service economy which implies that governments and nations confront a three-way choice, or "trilemma," between budgetary restraint, income equality, and employment growth. While it is possible to pursue two of these goals simultaneously, it has so far proved impossible to achieve all three. Private service employment growth can be accomplished only at a cost of wage inequality. Therefore, if wage equality is a priority, employment growth can be generated only through employment in the public services sector—at a cost either of higher tax rates or of borrowing (both implying lack of budgetary restraint).

In the paper we identify three possible strategies that governments can pursue in the face of the trilemma, and we outline the distributional

[4] The relationship between tradedness and type of sector is almost perfect except for transportation services. Thus, only about 2 percent of production in services is exported, compared with almost 50 percent in manufacturing. Contrary to popular belief, there are also no signs of an increase in service tradedness. See Jose De Gregorio, Alberto Giovannini, and Holger C. Wolf, "International Evidence on Tradables and Nontradables Inflation," *European Economic Review* 38 (June 1994).

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politics inherent in each. Our emphasis on the scope for political choice and hence political-institutional divergence stands in sharp contrast to most arguments about globalization, which imply convergence of policies and institutions. In addition, our focus on an important new set of distributional trade-offs, with its associated conflict over material issues, contradicts the hypothesis of Inglehart[5] and others that the transition to postindustrial society is accompanied by a decline in distributional politics.

The paper is organized into three sections. The first outlines the theoretical argument. The second uses sectoral-level data on wages and employment to test the existence of the trilemma empirically and to estimate the severity of the associated trade-offs. The third, a case-oriented exploration of the argument in Britain, Denmark, and the Netherlands, highlights the economic costs and political conflicts associated with each strategic response to the trilemma.

The Argument: The Trilemma of the Service Economy

The Economic Logic

The expansion of manufacturing employment in the wake of the industrial revolution and continuing into the 1960s was a result of two main forces of change. First, the demand for manufactured goods was rapidly increasing as growing incomes allowed people to spend proportionally less money on necessities, such as food and shelter, and more on nonnecessities, such as consumer durables. Unlike agricultural commodities, therefore, demand for manufactures was income elastic—a condition known as Engel's Law. Second, because the perceived need for material goods was high, demand for manufactures was price elastic: lower relative prices translated into large increases in demand. The latter condition is important because it created a positive link between productivity growth, demand, and employment. As long as wage increases did not absorb the entire improvement in productivity in the most dynamic sectors of manufacturing, the resulting reduction in relative prices could support an expansion of employment in these sectors. In turn, rapid productivity growth permitted real wages to grow and thus secured expanding markets and rising employment. Empirically,

[5] See Ronald Inglehart, *The Silent Revolution: Changing Values and Political Styles among Western Publics* (Princeton: Princeton University Press, 1977); and idem, *Culture Shift in Advanced Industrial Society* (Princeton: Princeton University Press, 1990).

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these relationships were convincingly documented by Salter[6] and subsequently by other economists as well.[7]

In contrast to this golden age of industrial expansion, the period since about the early 1960s has been marked by decreasing income and price elasticity for manufactured goods. The decline is due to a combination of market saturation and increasingly wealthy and choosy consumers who are more concerned with the quality than with the quantity of manufacturing consumption. Under these conditions increases in productivity will no longer result in sufficient increases in demand to compensate for their labor-saving effects. Appelbaum and Schettkat,[8] for example, have found a significant *negative* relationship between manufacturing productivity growth and employment in most OECD countries during the 1980s—a relationship that stands in sharp contrast to the golden age of industrialization. As a consequence, manufacturing wages keep improving while employment declines (just as was the case for agriculture in the first half of this century).

The decline in manufacturing has been accompanied by a shift in demand toward services, and in this sense the service sector has assumed the role previously played by manufacturing as the main source of employment growth. This fact is brought out clearly in Table 1, which shows the rate of growth in employment in manufacturing and services for thirteen OECD countries during the 1970s and 1980s. With few exceptions, manufacturing employment has declined or stagnated while service employment has been rapidly expanding. The rate of growth in service employment slowed down somewhat in the 1980s, but at the same time the decline in manufacturing actually accelerated, thereby leaving a gap in growth rates of roughly 3 percent. Considering the deep structural causes of declining manufacturing employment—market saturation and declining price elasticity of demand—it is hardly realistic to hope for sustained future employment expansion *except* through services.

The transition from a predominantly industrial economy to a service economy resembles the shift in sectoral employment that accompanied the transformation of the agrarian economy earlier in this century—but with one critical difference. Unlike the golden era of manufacturing,

[6] W. E. G. Salter, *Productivity and Technical Change* (Cambridge: Cambridge University Press, 1960).

[7] For excellent expositions of the argument and the evidence, see Eileen Appelbaum and Ronald Schettkat, "The End of Full Employment? On Economic Development in Industrialized Countries," *Intereconomics* 29 (May–June 1994); and idem, "Employment and Productivity in Industrialized Countries," *International Labor Review* 134, no. 4–5 (1995).

[8] Appelbaum and Schettkat (fn. 7, 1995).

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TABLE 1
GROWTH OF EMPLOYMENT IN THIRTEEN OECD COUNTRIES BY SECTOR AND DECADE

	Manufacturing		*Services*		*Gap*	
	1970–79	*1980–89*	*1970–79*	*1980–89*	*1970–79*	*1980–89*
Australia	−0.90	−0.25	2.37	3.63	−3.27	−3.89
Belgium	−2.35	−1.98	2.78	0.72	−5.13	−2.70
Canada	1.85	0.28	3.86	2.54	−2.01	−2.26
Denmark	−1.32	0.60	3.36	1.43	−4.67	−0.83
France	0.94	−1.23	2.35	2.15	−1.41	−3.38
Finland	0.07	−2.01	2.19	1.49	−2.12	−3.50
Germany	−1.13	−0.31	2.38	1.21	−3.51	−1.52
Japan	−0.35	1.28	2.64	2.55	−2.99	−1.27
Netherlands	−2.37	−1.48	2.11	1.05	−4.48	−2.54
Norway	0.08	−2.19	3.57	2.00	−3.49	−4.19
Sweden	−0.67	−0.22	2.75	1.34	−3.42	−1.56
United Kingdom	−1.52	−3.16	1.67	1.28	−3.19	−4.44
United States	1.07	−0.75	2.75	2.57	−1.68	−3.32
Average	−0.51	−0.88	2.67	1.84	−3.18	−2.72

SOURCE: *OECD International Sectoral Data Base* (fn. 25).

the most rapid growth in services has come in branches such as education, health care, personal services, and what Esping-Andersen[9] calls "food and fun" services, where productivity growth tends either to be slow or to mask declining quality. Although it is notoriously difficult to measure productivity in services and although there are obviously important differences across branches, the pathbreaking studies by Baumol and Bowen[10] have generated broad consensus among economists that service production is inherently less conducive to productivity growth.[11] Teachers can serve more students, nurses more patients, and waiters more customers, but this is not easily achieved without a decline

[9] Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton: Princeton University Press, 1990).

[10] William Baumol, "The Macroeconomics of Unbalanced Growth," *American Economic Review* 57 (1967); and William J. Baumol and William G. Bowen, *Performing Arts: The Economic Dilemma* (New York: Twentieth Century Fund, 1966).

[11] See, for example, Robert J. Gordon, "Productivity, Wages and Prices Inside and Outside of Manufacturing in the U.S., Japan, and Europe," *European Economic Review* 31 (April 1987); and Bart Van Ark, "Structural Growth Accounting and Structural Change in Post-War Europe," in Bart Van Ark and Nicholas Crafts, *Quantitative Aspects of Post-War European Economic Growth* (Cambridge: Cambridge University Press, 1996). There is also evidence for a productivity gap between services and manufacturing in the sizable economic literature on the link between real exchange rates and differential productivity growth across sectors. For recent contributions to this literature, see De Gregorio, Giovannini, and Wolf (fn. 4); and Kenneth Rogoff, "The Purchasing Power Parity Puzzle," *Journal of Economic Literature* 34 (June 1996).

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in the quality of the service. Having said this, we hasten to add that productivity in services is not a moot issue. Organizational and sometimes technological factors can inhibit or advance the efficiency of service provision; and with manufacturing employment in decline, the question of how to promote service productivity is in a sense more important than ever.

Whatever the size of the productivity gap between manufacturing and the majority of services, the obvious consequence of the shift in demand toward the latter is that it becomes increasingly difficult to combine rising wages with lower prices. The virtuous circle between falling prices and rising real demand, as experienced during the expansion of manufacturing employment, is therefore broken. Instead, the most important source of market-generated expansion of employment in services, apart from the effects of changing consumption patterns, becomes lower wages, which translate into cheaper prices and higher effective demand. Consequently, if wages in services are tightly coupled with wages in manufacturing—where productivity growth is faster—private service production will contract Baumol's cost disease and employment expansion will be slowed down.

High growth in market-provided services—necessary to compensate for declining manufacturing employment—therefore presupposes a more *in*egalitarian wage structure. Whereas solidaristic wage policies in the industrial economy tended to shift production to the most efficient sectors where the scope of productivity increases was the greatest (as elegantly formulated in the Rehn-Meidner model),[12] solidaristic wage policies in the service economy tend to squeeze out the least productive workers without creating a compensating expansion in the overall level of activity. The effect of wage compression on employment has thus been reversed: in the past it promoted employment because it kept down relative wages in highly dynamic sectors facing price-elastic demand; in the present it inhibits employment because relative wages are kept high in the *least* dynamic sectors, which also face price-elastic demand.

The Service Economy Trilemma

As pointed out by Esping-Andersen,[13] there are essentially two responses to this problem: (1) wages in services, especially in the lowest-

[12] Gösta Rehn, "Swedish Active Labor Market Policy: Retrospect and Prospect," *Industrial Relations* 24 (Winter 1985); Rudolf Meidner, *Co-ordination and Solidarity: An Approach to Wages Policy* (Stockholm: Prisma, 1974).

[13] Gøsta Esping-Andersen, *Changing Classes: Stratification and Mobility in Postindustrial Societies* (London: Sage, 1993); and idem, "The Eclipse of the Democratic Class Struggle? European Class

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paid occupations, can be permitted to fall in order to lower prices and increase demand and employment, or (2) the government can assume the responsibility for employing workers at relatively high wages by expanding public sector consumption. The latter option, heavily favored by social democratic governments, has the obvious drawback that taxes and/or public debt must be increased to finance the growing public wage bill. Socializing production of services can also create difficult incentive problems that are liable to undermine economic inefficiency.[14] Budgetary restraint in the sense of no or only moderate government spending on services[15] is therefore difficult to combine with earnings equality and high employment in the emerging service economy. This set of trade-offs is what we call the "trilemma of the service economy," to borrow a term from Swenson.[16]

The argument is illustrated in Figure 1. Each of the three corners of the triangle is a desirable objective for economic policies, but at most two of these can be satisfied simultaneously. Because budgetary restraint precludes any rapid expansion of public sector employment, governments wedded to such discipline must either accept low earnings equality in order to spur growth in private service employment or face low growth in overall employment. Alternatively, governments may pursue earnings equality and high employment, but they can do so only at the expense of budgetary restraint.

The trilemma suggests three ideal-type political economies. We use Esping-Andersen's[17] designations of his three worlds of welfare capitalism to identify each type, although we caution that our use of the terms has a much narrower (and precise) meaning that is not directly concerned with the welfare state. In some respects our discussion will be closer to Kitschelt's[18] account of the tensions between the French Revolution's triple objectives of liberty, equality, and fraternity, though the main purpose of the typology is simply to elucidate the political dilemmas and choices associated with the economic trade-offs discussed above.

Structures at Fin de Siècle" (Paper presented to the study groups on Citizenship and Social Policies and State and Capitalism, Center for European Studies, Harvard University 1994).

[14] See Terry Moe, "The New Economics of Organization," *American Journal of Political Science* 28 (November 1984).

[15] Here and throughout the article the term "budgetary restraint" is used to indicate no or little government provision of services, and hence lower spending, taxes, and/or deficits.

[16] Peter Swenson, *Fair Shares: Unions, Pay, and Politics in Sweden and Germany* (Ithaca, N.Y.: Cornell University Press, 1989).

[17] Esping-Andersen (fn. 9)

[18] Herbert Kitschelt, *The Radical Right in Western Europe* (Ann Arbor: University of Michigan Press, 1995)

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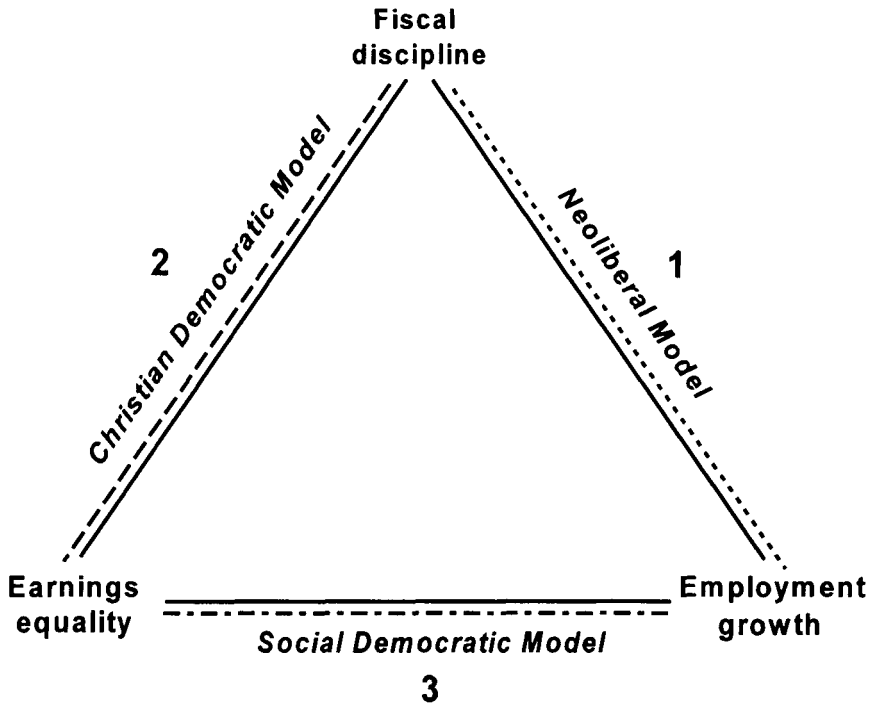

FIGURE 1
THE TRILEMMA OF THE SERVICE ECONOMY

The first ideal type is called neoliberal because market-generated inequality is traded for budgetary restraint and high private sector employment. Ideologically, this model is grounded in a belief that freely operating markets are inherently welfare maximizing, whereas state involvement in the economy leads to a misallocation of resources. The neoliberal ideology is combined with a work ethic that underscores self-reliance through active labor-market participation, while market wages are seen to reflect the contribution of individuals to overall welfare. In its pure form, the neoliberal model implies that policies interfering with the free operation of markets, with the exception of a few important public goods such as law and order, threaten the pursuit of individual liberty.[19]

The second model also emphasizes budgetary restraint, but it places greater weight on equality and less on individual self-reliance and free markets than does the neoliberal type. This model has its origins in

[19] Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962).

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corporatist and Christian democratic thought where community, church, and family are seen as bulwarks against the dehumanizing and alienating effects of unfettered markets, as well as against the potential encroachments of state power on the independence and freedom of associational life.[20] Although society is recognized as inherently hierarchical and status differentiated, stark market-generated inequalities are seen as a potential danger to the social order. High employment levels, by contrast, are a relatively low priority in this model because women are viewed as the guardian of the traditional family and hence are encouraged to stay at home and care for children and spouse.

The third ideal type prioritizes earnings equality and high employment performance, but sacrifices budgetary restraint. This model has its origins in the European labor movement and in social democratic ideology, and it combines a strong egalitarian ethos with a work ethic that emphasizes employment as the root of collective identity and pride. Although social democratic parties, initially rising with the growth of a predominantly male blue-collar workforce, only gradually shed their traditionalist views on women and the family, modern social democratic parties have everywhere come to recognize women as equal partners in the social democratic project for solidarity and employment for all. Unlike the other models of society, social democracy sees the state as a necessary tool to achieve its egalitarian and full-employment objectives, and this has involved a certain measure of deliberate sheltering from the inegalitarian effects of the market through an expansion in public services and employment.[21]

We would like to underscore that the three ideal-type labor-market regimes are not logically exhaustive of all responses to the trilemma. Rather, they emerge through the interaction between the economic constraints defined by the trilemma and the political projects expressed in historically inherited ideological constructions. Conceived as an economic constraint, the trilemma undermines the viability of political projects that seek to achieve all three objectives simultaneously, but it does not logically preclude projects that seek to maximize a single

[20] Kees van Kersbergen, *Social Capitalism: A Study of Christian Democracy and the Welfare State* (London: Routledge, 1995).

[21] It has been suggested to us that social democratic parties have a positive preference for expanding public provision of services and that budgetary restraint is therefore not a concern. We disagree for two reasons. First, despite the rhetorical commitment to socialization of production, mainstream social democrats recognize that such socialization creates incentive problems and economic inefficiencies. Second, public provision implies higher prices on services (paid through taxes), and although the median voter may willingly sacrifice lower prices to support a certain measure of equality, this represents a trade-off where the utility-maximizing level of provision and taxes places an electoral constraint on government spending policies. We are grateful to Geoffrey Garrett for helping us to clarify these issues.

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goal—say, employment—or achieve only modest success on all accounts.

In order to understand the underlying causal dynamics that push countries to adopt different responses to the trilemma, and in order to understand the political-economic tensions inherent in each ideal type (as well as the possible strategic responses to these), one must pay close attention to the political coalitions, institutions, and political-economic constraints that support or challenge the perpetuation of any particular model. Thus, the neoliberal model draws its support primarily from the middle and upper middle classes in relatively secure labor-market positions, and it tends to exacerbate class distinctions (though not necessarily class organization), in what Jessop[22] has dubbed two-nations projects.[23] The model, while promoting job creation and low taxation, tends to perpetuate poverty and inner-city decay by trapping large numbers of people in insecure and poorly paid jobs.

The Christian democratic model facilitates more egalitarian labor markets by encouraging associational inclusion (hereunder unions) and by engaging in a consensual and often dense regulation of labor and product markets. The actual provision and administration of many services are delegated to private associations of businesses, workers, and professions that constitute the main pillars of support for the system. The downside of the model is its relative incapacity to generate well-paid jobs for all who are willing to work, thus producing problems of long-term unemployment and labor-market exclusion, especially among women and older workers. It is therefore no coincidence that much of the political economy literature on countries such as Germany and Austria is replete with references to insider-outsider divisions.

The social democratic model, finally, promotes equality and labor-market inclusion by encouraging solidaristic wage policies and by expanding job opportunities in the public sector. By emphasizing solidarity, employment for all, and labor-market security, support for the model extends from the working class well into the middle class.

[22] Bob Jessop, *Thatcherism: A Tale of Two Nations* (Cambridge, England: Polity Press, 1988). The deep-seated Christian democratic suspicion of the state goes back to the "national revolution" in the eighteenth century, when church privileges were being challenged. See Seymor M. Lipset and Stein Rokkan, "Cleavage Structures, Party Systems, and Voter Alignments: An Introduction," in Lipset and Rokkan, eds., *Party Systems and Voter Alignments* (New York: Free Press, 1967).

[23] In the U.S. case, where the worst paid and most insecure jobs are concentrated among minority groups, ethnic divisions generate demands for labor-market regulations (such as affirmative action) that are clearly contrary to the neoliberal ideal of efficiency and self-reliance. See also the discussion of dualism in John Goldthorpe, "The End of Convergence: Corporatist and Dualist Tendencies in Modern Western Societies," in Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism* (Oxford: Clarendon Press, 1984).

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Yet the escalating financial requirements of the social democratic state engender tax revolts and divisions between public and private sector employees. In addition, by sheltering a large portion of service production from market competition, the model is liable to create pockets of inefficiency and undermine international competitiveness through high taxation. When these constraints on fiscal expansionism become narrow, the trilemma turns into a difficult dilemma for social democracy: governments can choose either to promote wage flexibility and deregulation/privatization of services (a neoliberal tool for employment expansion) or to encourage labor-market exit through early retirement, work sharing, and policies that encourage women to stay at home (a Christian democratic recipe).

The basic logic of our argument can be readily illustrated with some comparative data (see Table 2). For each country there are three rows of data: one for private services sector employment, one for public sector employment, and one for wage equality. Note that equality, as well as the magnitudes and composition of services sector employment growth, differs sharply from country to country. The social democratic–dominated Scandinavian countries have the most egalitarian wage structures, while private services employment has been stagnant. Public sector employment, however, rose rapidly during the 1970s and the early 1980s, causing a substantial increase in public spending (more than 70 percent of all government consumption goes to paying wages). By contrast, in countries such as the United States and Britain, where neoliberal policies for privatization and deregulation held sway during the 1980s, employment in private services rose rapidly while public sector employment and consumption remained largely unchanged. Not surprisingly, these are also the countries in the table with the most inegalitarian wage structures and the only countries that display an increase in inequality during the 1980s. Finally, in two countries where Christian democratic parties have been dominant, Germany and the Netherlands, service employment has been stagnant in *both* the public sector (as in the neoliberal countries) *and* the private sector (as in the social democratic countries). These countries have instead performed well in terms of holding back public consumption and taxes (budgetary restraint) and maintaining a relatively egalitarian earnings structure.

As the discussion in this section is intended to convey, we categorically reject the notion that the rise of the service economy is tantamount to a decline in distributive politics. Neoliberal solutions impose the costs of a rising private service economy on people who cannot afford even modest health care insurance or adequate education for their

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TABLE 2
SERVICE EMPLOYMENT, GOVERNMENT EMPLOYMENT, AND WAGE EQUALITY IN SIX OECD COUNTRIES (1970–89)[a]

		1970–74	*1975–79*	*1980–84*	*1985–89*	*Change*
Denmark	private services	20	21	20	21	1
	public services	15 (21)	18 (24)	22 (27)	22 (25)	8 (4)
	wage equality	—	71	71	71	1
Sweden	private services	19	20	20	22	2
	public services	17 (23)	22 (27)	25 (29)	26 (26)	9 (3)
	wage equality	75	76	76	75	1
Britain	private services	20	22	23	27	7
	public services	13 (19)	15 (21)	15 (22)	14 (20)	1 (1)
	wage equality	—	60	59	56	−4
United States	private services	26	27	30	34	9
	public services	10 (18)	11 (17)	10 (18)	11 (17)	0 (−1)
	wage equality	—	54	51	49	−5
Netherlands	private services	21	21	21	21	0
	public services	7 (15)	8 (17)	8 (15)	7 (17)	0 (2)
	wage equality	—	—	65	65	0
Germany	private services	17	18	18	19	2
	public services	8 (17)	9 (20)	10 (21)	10 (20)	2 (3)
	wage equality	—	—	60	64	4

SOURCES: *OECD International Sectoral Data Base* (fn. 25); and *OECD Employment Outlook* (Paris: OECD, 1991, 1996).

[a]*Private services* refers to total employment (excluding transport and communication) as percentage of the adult population; *public services* refers to total government employment as percentage of the adult population (first entry), and total government consumption as a percentage of the GDP (in parentheses); *wage equality* is measured as the ratio of gross earnings of a worker at the bottom decile of the earnings distribution relative to the worker at the median (d1/d5 ratios). *Change* is the difference between the first and last period.

children; consequently, such solutions perpetuate class divisions. The Christian democratic model, by its very emphasis on delegated associational self-regulation, fails to provide adequate employment opportunities for all who want to work and thereby breeds labor-market exclusion and resentment among the outsider classes. The social democratic model, finally, generates its own set of political divisions by pitting the interests of public and private sector workers against each other.[24] Thus, while postmaterialism may be a concept that usefully re-

[24] Peter Swenson, "Labor and the Limits of the Welfare State," *Comparative Politics* 23, no. 4 (1991). See also Geoffrey Garrett and Christopher Way, "The Sectoral Composition of Trade Unions, Corporatism and Economic Performance," in Barry Eichengreen, Jeffry Frieden, and Jürgen von Hagen, eds., *Monetary and Fiscal Policy in an Integrated Europe* (New York: Springer, 1995).

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flects some aspects of electoral politics and although traditional blue-collar class politics is clearly in decline, the rise of postindustrial society does not imply a decline of, let alone an end to, materialist (or, if one prefers, class) politics. The remainder of this article supports this thesis by empirically demonstrating the political-economic trade-offs inherent in the trilemma and by highlighting the political struggles associated with each of the trade-offs.

Exploring the Argument: Quantitative Evidence

In mapping out the distinct political responses to the trilemma, each goal variable can be treated identically. In testing the argument, however, it is important to be clear about the underpinning causal structure. In particular, the economic argument implies that the expansion of service sector employment is negatively affected by both wage equality and budgetary restraint. In contrast, we are *not* saying that equality and restraint can be explained by changes in service employment (or by one another). Although we will allow for recursive causation in the statistical analysis, our aim is not to explain wage equality and public manpower policies. Instead, we treat these as policy instruments.

In the case of public employment, this argument is straightforward, since the government (subject to the usual parliamentary constraints) can directly employ people to perform public service functions. In the case of earnings equality, the role of the government is more complex and indirect, but it can clearly exert a substantial influence over the wage structure. As we discuss in the case-oriented section, minimum-wage legislation, mandatory employer social contributions, automatic cost-of-living adjustments, collective bargaining extension laws, and a host of regulatory measures that affect the strengths of unions (as well as the pressure on employers to compete on the basis of wage costs) can have notable consequences for relative earnings. We obviously do not dispute that other factors are important, but we do maintain that the government can have a sufficiently strong impact on the earnings structure such that it is informative to treat earnings equality as an instrumental variable.

Data and Operationalizations

One of the few data sources on the service sector is a recent study by the OECD[25] containing earnings and employment data for both manu-

[25] OECD, *The OECD International Sectoral Data Base* (Paris: OECD, 1993).

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facturing and private and public services in thirteen OECD countries.[26] The study includes annual wage and employment data for about thirty branches of industry and services in the period from 1970 to 1990.[27] Despite the somewhat limited country coverage, this is by far the most comprehensive source for economic data on the service economy.[28]

One class of services—transport, storage, and communication—is historically so closely integrated with manufacturing that it is unclear whether it should be counted as a service.[29] Fortunately, the employment changes in this sector are so similar across countries that it does not matter much for the results whether this category is treated as a service sector or a manufacturing sector. We therefore simply excluded it from the analysis. A second category of services—finance, insurance, real estate, and business services—had to be excluded because of incomplete data.[30] To gauge the consequences of this exclusion, we examined the data for countries using compatible definitions and failed to find any apparent relationship between the wage structure and employment in this sector. The reason may be that some of these services are more traded and knowledge-intensive than most others. This in turn could afford opportunities for countries to specialize in high-value-added services—perhaps the most promising path out of the trilemma. However, when a poor performer (Japan) is removed from the sample, the negative relationship between equality and employment reappears in this sector.[31]

[26] The thirteen countries are Australia, Belgium, Canada, Denmark, Finland, France, Germany, Japan, the Netherlands, Norway, Sweden, the United Kingdom, and the United States. The study also includes Italy, but that case presents intractable data problems. Our suspicion was raised by the results for wage dispersion, which indicate that dispersion in Italy is nearly twice that of the country with the next highest score. In view of other data pointing to a relatively compressed wage structure, this is simply inconceivable; see Robert Rowthorn "Corporatism and Labour Market Performance," in Jukka Pekkarinen, Matti Pohjola, and Bob Rowthorn, eds., *Social Corporatism* (Oxford: Clarendon Press, 1992); and Jonas Pontusson "Labor Market Institutions and Wage Distribution," in Torben Iversen, Jonas Pontusson, and David Soskice, eds., *Unions, Employers and Central Banks: Wage Bargaining and Macroeconomic Regimes in an Integrating Europe* (Cambridge: Cambridge University Press, forthcoming). As it turns out, some sectors have wages that are much higher but employment that is much lower than in comparable countries. This suggest that some of the wage data in Italy refer to small and relatively well-paid segments of all employees in certain sectors. In lieu of detailed documentation that could help us to pinpoint the problems, we had to exclude the Italian case.

[27] Some data are also available for 1990–92, but they are incomplete.

[28] For a fairly detailed account of sources and methods, see Meyer-zu-Schlochtern, *An International Sectoral Database for Thirteen OECD Countries*," Economics and Statistics Department Working Paper (Paris: OECD, 1988).

[29] This similarity also holds for the tradedness of this sector. See De Gregorio, Giovannini, and Wolf (fn. 4).

[30] For some countries only a subcategory is available, while for others data are provided only for the whole sector.

[31] The effect of excluding Japan points to another methodological problem, since it is well known that many financial and producer services are provided in house in Japan and counted as manufactur-

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All told, the services that we were able to include in our analysis — wholesale, retail trade, restaurants and hotels, community, social and personal services, and a wide range of publicly provided services—account for about 80 percent of total service employment, and they increased their share of total employment from about one-third in 1970 to about one-half in 1989. This shift occurred as a result of a 53 percent increase in the number of people employed in these sectors (amounting to more than 3.5 million workers), while employment in the rest of the economy declined. It is also noteworthy that wages in the private services we include were everywhere significantly *below* the level of earnings for the economy as a whole (20 percent on average). Much of the expansion in private service employment thus seems to have come in relatively low-paid occupations.[32]

Considering the salience of the services that we include for the growth of employment in the 1970s and 1980s, understanding the causes of this growth would tell a very important part of the story about the rise of the service economy. Specifically, since we are interested in explaining cross-national variance in the rise in services employment, we use period changes (first differences) in the employment ratio as a dependent variable, that is, the total number of employees in services as a proportion of the working-age population.[33] The periods are defined as three-year intervals that are short enough to capture interesting variance in the rate of change across time, yet long enough to reduce the impact of short-term fluctuations unrelated to our theoretical argument.[34] This gives us a total of ninety-one observations (thirteen countries times seven periods).[35]

The earnings equality measure is based on the standard deviation of earnings across all sectors of an economy, divided by the overall mean of earnings.[36] For example, an earnings dispersion of 0.2 means that one

ing, whereas in countries like Britain and the U.S. outsourcing has been very widespread since the early 1980s. See Stephen S. Cohen and John Zysman, *Manufacturing Matters* (New York: Basic Books, 1987), chap. 4.

[32] It is not clear that it is meaningful to assess public growth sectors in terms of their wage rates since these are politically determined; see Garrett and Way (fn. 24). Yet in countries where public employment grew fast, public wages were generally lower than in the rest of the economy.

[33] The employment *ratio* is distinct from the more familiar concept of the employment *rate* (the number of employees divided by the total labor force). While the latter is highly correlated with the former, we are primarily interested in the capacity of the economy to generate jobs for those in the working-age population, not just for those registered as seeking employment

[34] A more practical reason is that some pairs of figures are identical, suggesting that these are not truly independent observations.

[35] Because we used lagged variables in the regression analysis, the effective number of cases is reduced to seventy-eight.

[36] The branch-level data are nearly complete for twelve of the thirteen countries; for Australia earnings data are missing for several sectors. In order to obtain comparable earnings equality figures for

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standard deviation of earnings is equivalent to 20 percent of average earnings. For our purposes this dispersion measure is preferable to the more familiar earnings decile ratios reported in Table 2 because it eliminates problems of limited time coverage and because it is not affected by the number of people employed in high- and low-wage sectors (which is part of the employment performance to be explained).[37] In order to measure earnings *equality* (rather than dispersion), we inverted the dispersion variable so that higher values imply higher equality. The earnings data are based on OECD's figures for gross earnings per employee, which include both wages and nonwage benefits (such as pensions and social security contributions).

The other policy instrument, public employment, is simply the number of people employed directly by the government to perform public services (including teachers, nurses, postal workers, and so on). To gauge the effect of public manpower policies on budgetary restraint, we devised a variable that is the inverse of the change in total public outlays for wages as a proportion of the gross domestic product. A value of 0.02 on the budgetary restraint variable means that government spending on wages and salaries as a proportion of GDP was reduced by 2 percent between two periods. If the measure is negative, it means that spending is rising faster than the GDP and consequently that the public services sector is expanding as a share of the total economy. Holding all other public expenses constant, a negative value would imply rising taxes and/or growing deficits.[38]

Descriptive Statistics

Our expectation is that high earnings equality will inhibit expansion of employment in the private service sector. The scatterplot in Figure 2 lends preliminary support to this hypothesis by indicating a fairly tight negative fit between earnings equality and change in the private service

this country, we first calculated the level of equality in all countries based on the restricted set of branches available for the Australian case. Using the relative levels of Australian earnings equality (measured against overall annual means), we then inferred the absolute levels from figures calculated on the basis of all branches in the twelve remaining countries. The procedure assumes that relative earnings equality in Australia is the same for the full set of branches as for the restricted set, an assumption that would appear fairly innocuous.

[37] In a related paper we show that the trade-offs between earnings equality and employment also hold when using decile ratios. See Anne Wren and Torben Iversen, "Choosing Paths: Explaining Distributional Outcomes in the Post-Industrial Economy" (Paper presented at the annual meeting of the American Political Science Association, Washington D.C., August 28–31, 1997).

[38] On average, the government wage bill constituted 14 percent of GDP in 1985, which is equivalent to about three-fourths of total civilian government consumption and somewhat less than half the total average government budget (the rest going to military spending and a variety of subsidies and transfer programs).

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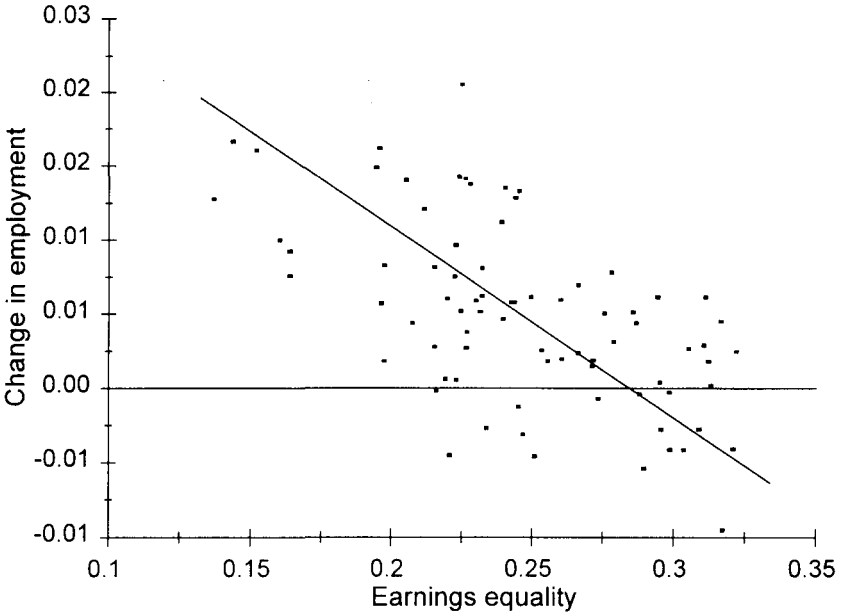

FIGURE 2
EARNINGS EQUALITY AND CHANGE IN PRIVATE SERVICE EMPLOYMENT

employment ratio. Clearly, the argument passes this initial test, although we do not want to exaggerate the determinism of the relationship. Not only should one be cautious in drawing causal inferences from bivariate correlations, but there is also obviously room for variation in the severity of the trade-off. In fact, our theoretical discussion implies that greater capacity for productivity growth in services would expand employment opportunities and thus shift the equality-employment schedule outward. Hence, a whole range of nationally specific trade-offs may be represented simultaneously in Figure 2.[39]

It is instructive to compare this pattern with that in manufacturing (Figure 3). For this sector there is *no* apparent relationship between employment and earnings equality, thus supporting the Rehn-Meidner argument that linking wages in low- and high-productivity firms enables redundancies in the former to be compensated for by expansion

[39] There is an analogy here to the second-generation literature on the Phillips curve, which likewise allowed for differences in the location of the trade-off between unemployment and inflation depending on national institutions (especially wage-bargaining institutions). Unlike this literature, however, our argument is not vulnerable to the rational expectations critique.

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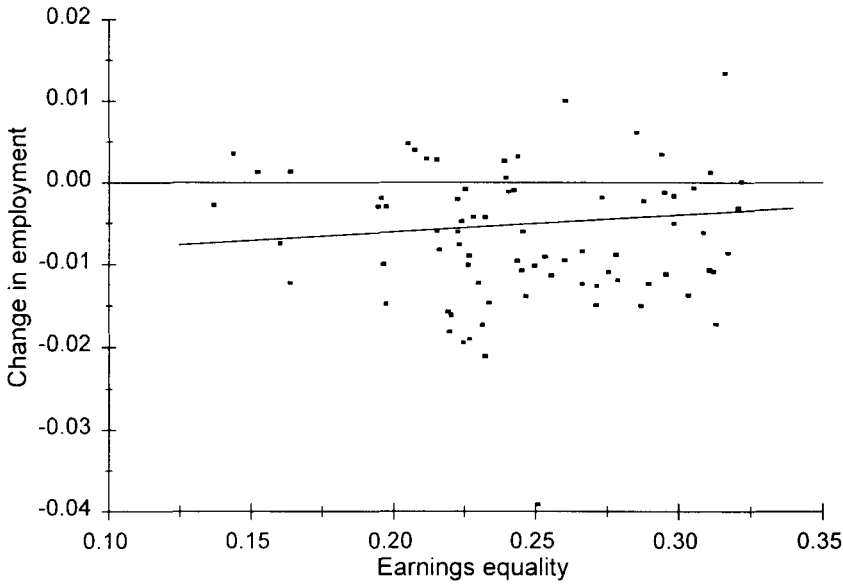

FIGURE 3
EARNINGS EQUALITY AND CHANGE IN MANUFACTURING EMPLOYMENT

of employment in the latter. In the past the promotion of wage equality, by inducing faster productivity growth, may even have led to an expansion of aggregate employment (especially if accompanied by active labor-market policies).[40] In the rising service economy, however, this logic no longer applies.

As argued above, governments can compensate for the cost of equality in terms of lower capacity of the private service sector to expand by increasing public sector employment. However, such expansion obviously comes at the expense of a rising wage bill and thus of a reduction in budgetary restraint. As noted above, lack of restraint has to be paid for in the form of either rising public deficits and debt or higher taxation. The relationship is illustrated in Figure 4, which plots budgetary restraint against changes in public employment as a proportion of the total working-age population (measured analogously to private service employment).

[40] The argument by trade economists that competition from low-wage countries has created a *negative* link between wage equality and manufacturing employment would make the equality-employment trade-off in the trilemma even more severe; see Wood (fn. 3); Leamer (fn. 3). However, we do not find any evidence in the data that this has occurred.

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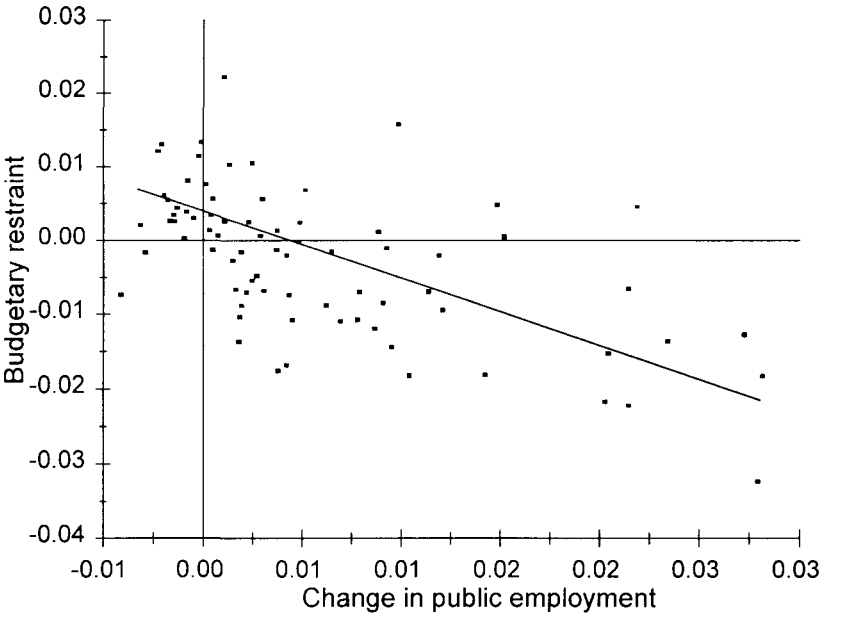

FIGURE 4
CHANGE IN PUBLIC EMPLOYMENT AND BUDGETARY RESTRAINT

Not surprisingly there is a clear negative relationship between a change in public sector employment ratios and budgetary restraint. However, the coupling is not as tight as one might have suspected. The main reason is that the price of labor is a variable that determines the budget effects of employment expansion. Although ceteris paribus an expansion of employment levels *must* result in higher expenditures, an effective policy of public sector wage restraint can greatly reduce the fiscal pressures resulting from such expansion. This points to the importance of the institutional setting for wage setting in the public sector—a topic that has received relatively little attention in the comparative political economy literature.[41]

MODEL SPECIFICATION AND ESTIMATION

Because we are interested in explaining change in employment and because the modeling of the level of employment variable has unit roots, we use an error correction model. Moreover, since it is reasonable to

[41] Important exceptions are Garrett and Way (fn. 24); and Swenson (fn. 24).

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expect the sectoral composition of employment to exhibit equilibrium qualities over time, an error correction model is well suited to capture long-term relationships (in addition to offering an intuitive interpretation of the short- and medium-term dynamics).[42] The model has the following form:

$$\Delta\, Employment(t) = \beta_1 \cdot Employment(t-1) + \beta_2 \cdot Equality(t-1) + \beta_3 \cdot \Delta\, Equality(t) + \beta_4 \cdot Government(t-1) + \beta_5 \cdot \Delta\, Government(t) + controls + \varepsilon$$

where *Employment*(t) is the ratio of total (service sector) employment at time t, *Equality*(t) is the level of earnings equality at time t, *Government*(t) is the level of government employment at time t, and Δ is the first difference operator.

The use of both levels and changes of the earnings equality variable permits a very straightforward interpretation of causal effects. Thus, the coefficient on the lagged level of equality measures the long-term or *permanent* effect on employment of an increase in equality, whereas the coefficient for the first difference indicates the short-term or *transitory* effect of such an increase.[43] We should note that the independent variables in the model include both the level and the change in government employment, even though, by definition, public employment constitutes a portion of the change in total service employment. The reason is that public employment decisions may not be fully carried over into service employment outcomes (which would affect the trilemma). It is common in new classical economics, for example, to argue that raising public sector employment will crowd out private sector employment, thereby increasing the costs of using public manpower policies to regulate total employment. By including these variables, we want to control directly for potential crowding-out effects.

A special issue concerns the possible role of recursive causation, since it is conceivable that change in equality is affected by changes in employment. For example, rapid growth in employment could improve demand for the low paid, thereby raising low wages and overall wage equality. To take account of this possibility, we employ a two-stage least squares regression model with change in equality treated as an endogenous variable.[44] All regressions were executed with a full set of dummies

[42] For details, see Nathaniel Beck, "Comparing Dynamic Specifications: The Case of Presidential Approval," in James Stimson, ed., *Political Analysis* (Ann Arbor: University of Michigan Press, 1992).

[43] Ibid.

[44] Only *change* in equality should be treated as an endogenous variable since change in employment at time t cannot affect equality at time t-1. We estimated the instrumental variable for change in equality by using all exogenous variables (both levels and change) except country dummies. Country dummies were left out to avoid problems of multicollinearity in the second-stage regression.

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TABLE 3
THE DETERMINANTS OF EMPLOYMENT RATIOS AND BUDGETARY RESTRAINT[a]

	Dependent Variables					
	Change in Services Employment Ratio		*Change in Manufacturing Employment Ratio*		*Budgetary Restraint*	
	b	t	b	t	b	t
Intercept	0.047***	3.36	0.051***	3.99	0.115***	3.85
Lagged dependent level variable	−0.134*	−1.88	−0.147*	−1.93	−0.523***	−3.58
Lagged earnings equality	−0.093***	−3.13	−0.047**	−2.29	−0.032	−1.14
Change in earnings equality	−0.474***	−2.63	−0.072	−0.61	−0.030	−0.52
Lagged public employment	0.067	0.84	—	—	−0.307***	−3.04
Change in public employment	1.197***	9.70	—	—	−0.924***	−3.26
Growth of productivity in services	0.000	0.24	—	—	−0.033	−0.94
Growth of productivity in manufacturing	—	—	−0.076***	−7.12	—	—
Trade	0.020	1.29	0.046***	2.79	0.009	0.42
Capital market liberalization	−0.038	−0.55	−0.158**	−2.26	0.029***	3.68
International capital flows	−0.006	−1.64	0.001	0.17	−0.005	−1.66
Economic boom	0.003***	7.23	0.004***	7.26	0.237***	2.79
Adjusted R-square	0.85		0.73		0.67	
Number of cases	78		78		78	

* Significant at a .10 level; ** significant at .05 level; *** significant at .001 level (two-sided tests with panel-corrected standard errors)

[a] Results are from a two-stage least squares regression, including the listed variables plus a full set of country and period dummies (not shown).

for both countries and time periods since F-tests indicated that these belonged in the model.[45] The substantive results are very similar, however, whether or not the dummies are included.[46] The results using both equality measures are shown in Table 3. In interpreting the findings,

[45] Durbin's h and m tests did not indicate problems of serially correlated error terms.

[46] In fact, while the parameters are nearly identical, the t-scores for the theoretical variables (especially equality) are considerably increased if the dummies are excluded. (The ones reported in Table 3 can thus be considered lower bounds.) However, excluding the dummies has the unfortunate consequence of rendering the model no longer stationary, because different country intercepts affect the

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begin by noting that earnings equality has a statistically highly significant *negative* effect on service sector employment. Part of the effect is transitory, but there is also a large permanent effect, which implies that a particular level of wage equality greatly affects the capacity of labor markets to adapt to changing supply-and-demand conditions (here primarily the capacity to absorb the flow of labor from the manufacturing sector). In substantive terms, a standard deviation increase in equality leads to 12, 14, and 16 percent reductions in the employment ratio after 1, 3, and 6 periods, respectively (short-term losses are considerable due to a large transitory effect). In several of our countries this translates into hundreds of thousands of workers, posing difficult employment problems in a deindustrializing economy.[47]

The parameter for change in public sector employment is close to unity, which implies that public sector hiring is not causing any immediate displacement of private sector employment. Over time the employment effect from government hiring slowly dissipates, but our simulations suggest that the crowding-out effects are so gradual that the government can compensate through new hiring without raising spending as a proportion of the total economy.[48] In turn, this gradual rise in government employment is sufficiently small that it does not appear to outpace population growth, allowing the public employment ratio to settle at a stable level after a targeted increase.

In the short to medium term the government may also be able to influence employment performance through active macroeconomic policies. To allow for this possibility, we devised a variable, called "economic boom," which measures changes in the differences between OECD's estimates of national equilibrium rates of unemployment (called NAIRUs) and the actual rates of unemployment. If governments differ in their use of macroeconomic instruments and if these instruments are indeed

estimated parameter for the lagged dependent variable. Fortunately, multicollinearity problems are not severe enough to preclude the use of a full set of dummies.

[47] Our interindustry measure of wage equality refers to the economy as a whole, which raises the logical possibility that the employment effect of equality is an unexplained consequence of wage leveling within manufacturing. To check this we tried to control for the level of interindustry equality *within* manufacturing. This did not substantially affect either the parameters or the t-scores. The parameter for economy-wide wage equality was in fact slightly raised, to −0.104, while the parameter for intramanufacturing leveling was small, positive, and statistically insignificant. All other parameters were essentially unchanged. In other words, what seems to matter is the degree to which wages in services are tied to wages in manufacturing—precisely what the theory tells us.

[48] These simulations are logically simple (they simply employ the regression results reported in Table 3), but they are computationally quite complex because of the need for backward induction in the presence of permanent and transitory effects in three separate equations. We have devised a spreadsheet program to make the calculations more manageable; this program is available from the authors upon request.

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effective, the effect should be revealed in the form of deviations from the NAIRU rate of unemployment.[49] Deviations may of course also be caused by swings in the economic business cycle, but either way the effects are exogenous to our model and should be controlled for. As it turns out, economic booms— whether politically engineered or resulting from swings in the business cycle—*do* improve employment performance, but the effects are cyclical and do not affect our main conclusions.

We also tested for the potential effects of globalization, using three separate indicators. The first measures trade exposure and is the sum of exports and imports as a proportion of GDP, the second seeks to capture capital-market liberalization by the relative absence of capital controls, and the third is a measure of the actual cross-border flows of capital as a proportion of GDP.[50] All variables are in the form of first differences, since we want to assess the effect of *increasing* internationalization on *changes* in employment. Looking first at service employment, none of these variables have notable (or statistically significant) effects. This is hardly surprising, given that there are no compelling reasons to expect internationalization to affect employment in sectors that are largely sheltered from processes of globalization. In manufacturing, capital-market liberalization is negatively associated with employment, but actual capital mobility has no discernible effect, and trade appears to improve performance. While it is unclear why openness of capital markets but not actual movement of capital should affect employment, the positive effect of an increase in trade can be explained by the fact that domestic markets are effectively being enlarged by such trade.

The strongest effect of capital-market liberalization is clearly on budgetary restraint (see the third column in Table 3). It does indeed appear that in the absence of restrictions on capital movement governments feel pressed to be more fiscally conservative, probably because of the higher costs of running deficits. To the extent that governments can

[49] The data on NAIRU and actual unemployment rates were obtained from the OECD, *Fiscal Position and Business Cycles Data Base* (Paris: OECD, 1996).

[50] The trade data are measured as exports plus imports divided by GDP, and are calculated from the OECD, *Historical Tables* (various years). Capital market liberalization is measured by an index of the absence of restrictions on the free movement of capital as reported in Denis P. Quinn and Carla Inclan, "The Origins of Financial Openness: A Study of Current and Capital Market Account Liberalization," *American Journal of Political Science* 3 (July 1997). Capital flow is measured as the total cross-border flows of all types of capital as percentage of GDP and is reported in Duane Swank, "Funding the Welfare State, Part I: Global Capital and the Taxation of Business in Advanced Market Economies" (Paper presented at the annual meeting of the American Political Science Association, San Francisco, 1996). We are grateful to these authors for making their data available.

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finance higher consumption through taxes, however, capital-market integration should not pose a problem. Compared with the sometimes grandiose claims for the negative effects of globalization on all aspects of the domestic economy, our results therefore point to a more cautious position. While capital-market liberalization clearly places constraints on deficit-financed fiscal expansionism, it has little effect on employment, and trade seems to improve performance in manufacturing. Most importantly, the engine of employment growth over the past three decades—services—appears to have been largely unaffected by trends toward greater globalization.[51]

An important issue concerns the employment effects of productivity growth. Unfortunately, the measurement of productivity in services is marred by methodological difficulties. Since there is no international market for most services, the price of an identical service can vary considerably across countries, making simple indicators of output per employee highly misleading. The problem is somewhat alleviated by our focus on productivity *growth,* since this requires only reliable comparisons across time. Nevertheless, since output per employee will necessarily incorporate increases in both underlying productivity *and* the cost and price of a service, comparisons of trends are problematic. The main difficulty is that while we expect underlying productivity to be positively related to employment, cost-push induced price increases must necessarily be negatively related to employment. The *net* effect (as measured by output per head) therefore depends on the strength of these opposite forces.

Nevertheless, although a negative value would tell us little about the "true" employment effect of productivity (it could be negative, zero, or positive), a zero or positive effect would suggest that productivity had at least *some* employment-enhancing consequences (since all movements in cost conditions imply a negative relationship). To examine this possibility, we incorporated a variable for the average output per employee across all services. It turns out that the effect of this variable is indistinguishable from zero (and positive), which suggests that the true underlying rate of productivity growth is employment augmenting. But even if one does not buy the assumptions underlying this interpretation, the absence of a negative effect is important in itself because it implies that the pressure for greater wage inequality can be alleviated through higher services productivity *without* generating negative employment effects.

[51] Data on the tradedness of services also show no signs of growth. See De Gregorio, Giovannini, and Wolf (fn. 4).

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The output per head measure is also useful because it helps verify the existence of a gap in productivity between services and manufacturing —a gap that we have argued is a major source of the tension between equality and employment growth. Although the measurement for services productivity may be exaggerated, a comparison of the growth in output per head in the two sectors shows that it is much lower in services than in manufacturing. Thus, whereas output per head increased by an average of about 1 percent in services, it increased by an average of well over 3 percent in manufacturing—a pattern that is consistent across countries and time.[52] This being the case, the infeasibility of hiring at low wages in the case of an inflexible and compressed wage structure would raise the relative prices of services and hence reduce demand and employment (the magnitude of which depends on the elasticity of demand).

In testing our theoretical argument, an important question is how wage equality and productivity affect employment in manufacturing. The results (shown in the second column of Table 3) stand in sharp contrast to those in services. Thus, while the effect of wage equality is substantially smaller (though statistically significant), productivity has a strong and significant *negative* effect on employment. When we included a control for intramanufacturing equality, the coefficient for economy-wide equality dropped only slightly, but the coefficient for intramanufacturing equality turned out to be statistically and substantively indistinguishable from zero. In other words, much of the negative effect of equality for manufacturing employment turns out to be a consequence of the linking of wages across sectors rather than across manufacturing industries.[53] Interindustry wage leveling within manufacturing therefore does not seem to be a problem for employment, a result that is consistent with the Rein-Meidner model. When this result is juxtaposed to the results for private services, there emerges a clear pattern that is unambiguously supportive of our theoretical argument: wage equality reduces employment growth in services but not in manufacturing, while productivity growth is labor saving in manufacturing but not in services.

[52] These figures are similar to those estimated in one of the most comprehensive studies of productivity by Gordon (fn. 11), 714–16. Gordon finds that services productivity lagged manufacturing productivity in Europe and the U.S. by a factor of about 2–4 from the early 1970s to the mid-1980s. The gap was greater for Japan.

[53] A likely reason is that high-productivity workers in manufacturing will seek to recapture the "productivity rent" by raising real wages, with deleterious consequences for competitiveness and employment. This is similar to the argument by Garrett and Way that cross-sectoral coordination of wages undermines wage restraint and competitiveness (fn. 24).

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Turning now to our third dependent variable, budgetary restraint, it is hardly surprising to discover that increasing public sector employment reduces the government's capacity to exercise restraint (see the third column of Table 3). Yet the statistical model leaves a considerable amount of unexplained variance. While it is not obvious that this should be the case, it *is* obvious that the only source of this variance—given the definition of budgetary restraint—is differences in the cost of labor. Although it is not central to the argument, we conjecture that differences in the public wage formation process have important fiscal consequences (given that most of the variance in labor costs is between countries). Effective public sector wage policies and well-designed institutions for public sector wage bargaining would therefore appear to be critical for an effective public employment policy.[54]

Our findings section can be summarized in terms of the trilemma by treating public employment and earnings equality as policy instruments. Thus, the results for service employment make it possible to estimate performance under different assumptions about policy choices, and through backward induction we can estimate the policies required to bring about a particular combination of employment performance and equality/restraint.[55] Thus, Figure 5 illustrates the consequences of high performance on two dimensions in the trilemma for the value on the third. The examples correspond to the three ideal types discussed above, and for each model the policy goals that are highly valued (indicated by double lines) have been set to one standard deviation above their mean. The implication for the third is then calculated in terms of both its absolute value and the number of standard deviations by which it differs from *its* mean.

The main cost of pursuing a neoliberal strategy—that is, combining budgetary restraint with high employment in the private sector—is substantially lower earnings equality. Thus, the estimated level of equality in this scenario is 2.1 standard deviations below the mean. Because the wage structure affects only private service employment, the distribution of earnings has to be highly inegalitarian in order to achieve high overall employment performance, while making up public employment losses necessitated by budgetary restraint. The U.S. comes closest to the neoliberal ideal type, although even in the U.S. case, earnings are somewhat less inegalitarian and performance on the employ-

[54] For a similar argument, see Scharpf (fn. 1), chap. 10.

[55] As noted above, these simulations are logically straightforward but computationally complex. Readers who would like to make similar simulations on results derived from the same or different data can acquire a simple but useful spreadsheet program from the authors.

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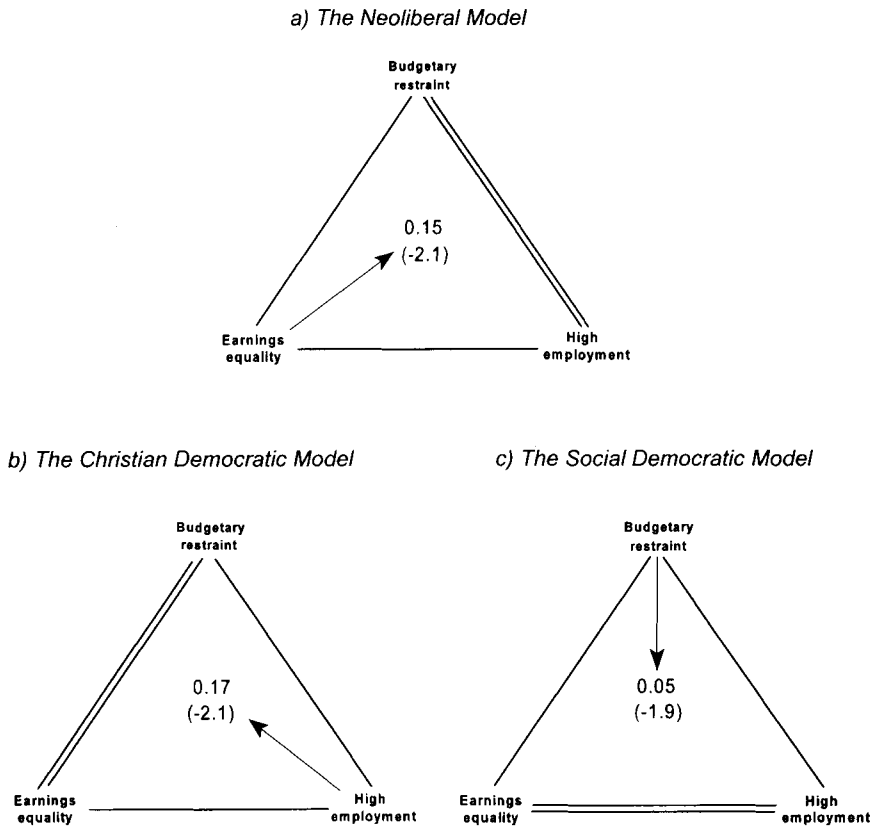

FIGURE 5
THREE MODELS OF THE TRILEMMA AND THEIR ASSOCIATED COSTS[a]

[a] The double lines indicate that the associated variables are one standard deviation above their mean. The top figures inside the triangles show the predicted level on the third variable (the "cost"), and the figures in parentheses represent the number of standard deviations from the mean. All calculations are for the long run. .

ment and budgetary restraint variables somewhat less impressive than implied by the ideal type. Still, countries such as the U.S. and the U.K. clearly sacrificed equality in order to achieve better private sector employment performance in the 1980s.

In the Christian democratic model of combining budgetary restraint with relative earnings equality, the cost is measured in terms of substantially lower service sector employment growth (equal to 2.1 standard deviations). As illustrated in Table 2 above, Germany and the Netherlands come close to this ideal type with exceptionally poor employment performance but low government consumption and fairly

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high levels of wage equality. By contrast, the social democratic model achieves high employment expansion and equality by increasing public sector employment and sacrificing budgetary restraint (the latter being 1.9 standard deviations below the mean). Denmark, Norway, and Sweden are almost perfect examples of this ideal type, since employment and equality are both about one standard deviation above the mean, while budgetary restraint is on average 1.2 standard deviations below.

Clearly, not only are the regression results supportive of the notion of a service economy trilemma, but they also resonate well with actual country experiences. In the following section we will look more closely at the experiences of three of these countries—Britain, Denmark, and the Netherlands—which represent the different ideal types. The purpose of this discussion is not only to describe the political-economic logic of each model but also to show the inherent contradictions and the strategic predicaments to which each gives rise.

Exploring the Argument: Three Country Experiences

The UK: Incurring the Costs of the Neoliberal Route

The U.K. case provides the most dramatic example in our sample of a shift from one political-economic model to another, as is clearly visible from Table 2. In the early 1970s the magnitude and composition of services employment in the U.K. most closely resembled that of the social democratic countries (Denmark and Sweden), while wage equality, although below social democratic levels, was relatively high. With the arrival of Thatcherism in the 1980s, however, private service employment soared, employment in the public sector declined, and income equality dropped rapidly to well below average European levels.

The 1970s had proved a particularly difficult period for the advancement of a social democratic agenda in Britain, in spite of the presence of a Labor government from 1974 to 1979. High levels of debt, a currency crisis, and finally the attachment of demands for strict reductions on borrowing to the emergency loan extended by the IMF increasingly tightened fiscal constraints, forcing the Wilson government to cease the expansion of public employment (which had increased by ten million in the preceding decade).[56] However, the fiscal benefits of these cutbacks were undermined by continued wage pressure. Relations between

[56] Peter Hall, *Governing the Economy* (Oxford: Oxford University Press, 1986), chap. 4; Terry Ward, "From Mounting Tension to Open Confrontation: The Case of the UK," in Robert Boyer, ed., *The Search for Labour Market Flexibility* (Oxford: Clarendon Press, 1988).

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the government and the unions were largely conflictual throughout the period and the attempt at increased cooperation between the Labor Party and the unions represented by the Wilson government's "social contract" had already begun to disintegrate by 1975.[57] In this atmosphere, union strength and the absence of effective public sector wage-bargaining institutions combined to significantly increase the employment costs associated with reducing the fiscal burden. The British case in the 1970s thus highlights the previously noted significance of public wage formation procedures in determining the effectiveness of public manpower policies.

As the voluntary social contract began to collapse, the government came to rely increasingly on mandated incomes policies. While chiefly anti-inflationary in nature, these policies also imposed proportionately greater restraint on the wages of high-paid skilled workers.[58] The dissatisfaction that this outcome generated among unions of skilled laborers became a contributory factor in the collapse of both the incomes policies and the Labor government in 1979. When the government failed in its attempts to impose restrictions on private sector wages in the face of increased union opposition in the private sector, the unwillingness of public sector unions to shoulder the burden of economic sacrifice alone led to the strikes of the "winter of discontent."[59]

In response to these problems, the Thatcher governments of the 1980s instituted a series of radical reforms that would place the British labor market firmly on a neoliberal path. As Garrett[60] has pointed out, their fears of an electoral backlash against unpopular reforms and the emergence of mass unemployment were substantially reduced by the division in opposition support caused by the foundation of the Social Democratic Party and its alliance with the Liberals in 1983.

Thatcher's neoliberal strategy involved an interrelated set of reforms directed at all three points of the labor-market trilemma and served ends that were both economic and political. The economic goals of the program were twofold: (1) to eliminate labor-market rigidities, thus allowing wages and labor to become fully flexible and removing the perennial problem of achieving wage restraint in the British labor

[57] Hall (fn. 56), chap. 4; Ward (fn. 56); Hugh Compston, "Union Participation in Economic Policy Making in France, Italy, Germany and Britain, 1970–1993," *West European Politics* 18, no. 2 (1995).

[58] Robert J. Flanagan, David W.Soskice, and Lloyd Ullman, *Unionism, Economic Stabilisation and Incomes Policies: European Experience* (Washington, D.C.: Brookings Institution, 1983); William Brown, "Incomes Policy in Britain: Lessons from Experience," in Ronald Dore, Robert Boyer, and Zoe Mars, eds., *The Return to Incomes Policy* (London: Pinter Publishers, 1994).

[59] Scharpf (fn.1), chap. 5; Hall (fn. 57), chap. 4; Brown (fn. 58).

[60] Geoffrey Garrett, "The Politics of Structural Change: Swedish Social Democracy and Thatcherism in Comparative Perspective," *Comparative Political Studies* 25, no. 4 (1993)

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market; and (2) to institute fiscal discipline. The political goal was to weaken the power of the labor movement, the chief obstacle to Conservative political hegemony.

The new government abandoned all involvement in the wage-setting process. No attempt was made to revive the broken social contract, income policies were dropped, and wage bargaining, already relatively decentralized, moved increasingly to the company level.[61] Thus, several potentially significant sources of institutional bias toward solidaristic wage policies were removed. Legal and regulatory obstacles to low pay were already limited; for example, there was no general minimum wage law in place. And such legal obstacles as did exist were gradually dismantled. The power of the Wage Councils, which had been responsible for protecting the wages of younger workers and setting a minimum wage in the most vulnerable industries (such as retail and catering), was significantly reduced. Also abolished was the Fair Wages Resolution, which had obliged government contractors to pay the prevailing collectively bargained wages in their industry.[62]

The widespread privatization of public services, largely justified as an effort to achieve budgetary restraint, also contributed to increasing wage flexibility and the incidence of low-paid employment. By transferring large numbers of workers from the public services sector, the most highly unionized sector in the economy, to the private services sector, one of the sectors where unions were weakest, it was hoped that service sector wages could be reduced. In many cases this goal seems to have been achieved. Ward cites the example of hospital cleaners who often experienced wage reductions of between 30 and 40 percent when cleaning jobs were contracted out to the private sector.[63] The reforms also had the desirable political effect of weakening the public sector unions.

The unions were attacked more directly by the Employment and Trade Union Acts of the 1980s and were further weakened by the government's adherence to tight fiscal and monetary policies throughout

[61] Colin Crouch, "United Kingdom: The Rejection of Compromise," in Guido Baglioni and Colin Crouch, eds., *European Industrial Relations* (London: Sage, 1990); Hall (fn. 56) chap. 4.

[62] See Ward (fn. 56); Alice Brown and Desmond King, "Economic Change and Labour Market Policy: Corporatist and Dualist Tendencies in Britain and Sweden," *West European Politics* 11 (July 1988); Gerda Falkner and Emmerich Talos, "The Role of the State within Social Policy," in Wolfgang Muller and Vincent Wright, eds., special issue, The State in Western Europe: Retreat or Redefinition? *Western European Politics* 17 (July 1994); Christel Lane, "From 'Welfare Capitalism' to 'Market Capitalism': A Comparative Review of Trends towards Employment Flexibility in the Labour Markets of Three Major European Societies," *Sociology* 23, no. 4, (1989).

[63] Ward (fn. 56).

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the decade. By pursuing a strictly anti-inflationary policy, the government placed the entire responsibility for unemployment with the unions. It was hoped that abandoning the government's commitment to full employment would weaken the unions' political power, as well as inducing wage restraint.[64] The immediate effect was a rise in unemployment from a little under 5 percent in 1979 to a peak of nearly 12 percent in 1986. At the same time, union power and militancy did decline, and the government used the opportunity to remove many of the rights extended to workers by the Labor governments of the 1970s.

The economic effects of these reforms were dramatic. All available measures of wage inequality show that the U.K. now exhibits levels of wage inequality and private service sector growth comparable to those of North America.[65] It is also the only country in our sample that has exhibited a decline in public sector service employment in the last decade. Nevertheless, by the end of the 1980s, the unemployment level had fallen almost to its 1979 level, largely because of a strong expansion in private service employment.

The benefits of an improved private service employment performance must be weighed against the costs incurred, not just in terms of wage inequality, but also in increased labor market insecurity. The weakening of the trade union movement and the high threat of unemployment in the mid-1980s allowed a substantial number of cutbacks in workers' rights and tipped the balance of bargaining power firmly in favor of the employer. Rights to employment protection and maternity leave, as well as protection against unfair dismissal and redundancy, for example, were all reduced.[66] The simultaneous achievement of budgetary restraint and employment growth in the U.K. case has thus been paid for by a deepening of class divisions.[67] These social costs were ultimately translated into political ones for the Conservative Party, which was voted out of office in April 1997. With the election of New Labor we would expect to see a shift in priorities over the policy goals contained in the trilemma, with a greater emphasis in particular on removing some of the inequities created in the British labor market since the mid-1980s. A crucial test for the reformed Labor Party is whether it will be able to achieve this goal without either lifting its self-imposed cap on public spending or inhibiting job creation.

[64] Garrett (fn. 60); Crouch (fn. 61); Hall (fn. 56).
[65] See, for example, Rowthorn (fn. 26); and Pontusson (fn. 26).
[66] Brown and King (fn. 62); Lane (fn. 62); Falkner and Talos (fn. 62).
[67] Jessop (fn. 22).

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Denmark: The Limits to Equality and Public Sector Expansion

During the 1960s and 1970s in Denmark, as in the rest of Scandinavia, consecutive social democratic governments sought to advance their traditional platform of wage equality and employment for all. Unlike in Britain, solidaristic wage policies were facilitated by centralized wage bargaining (in which high-wage workers "subsidized" higher-than-average wage increases for low-paid workers) and directly pursued through generous unemployment benefits and a flat-rate wage indexation system. High employment growth was achieved through a rapid expansion of public sector employment (as is apparent in Table 2) and through the provision of social services (such as public day care), which facilitated female participation in the labor market. For a while at least, this strategy had the desired consequences. Available industrial earnings statistics suggest that between 1963 and 1977 wage dispersion for Danish manual workers diminished by about 54 percent, while in the period from 1970 to 1982 the decline for salaried private employees in Denmark was 26 percent.[68] Meanwhile, rates of female participation in the labor market increased from 62 percent in 1973 to 74 percent in 1983, a rise that was achieved almost entirely through expansion of public service employment.

But in the 1970s the social democratic strategy in Denmark ran into severe difficulties similar to those found in Britain. On the one hand, the increasing use by employers of nonstandard forms of payment systems (aimed at increasing labor productivity and in-house training), combined with a shift in labor demand toward higher-skilled workers, led to the rise of cross-class "flexibility coalitions" between export producers and better-trained workers—coalitions that undermined the centralized bargaining system.[69] On the other hand, the government's room for maneuver in fiscal policies was increasingly circumscribed by capital-market integration that made deficit spending more costly by raising inflation expectations and necessitating a substantial "risk premium" on interest rates.[70]

[68] Calculations are based on data published in Dansk Arbejdsgiverforening, *Lønstatistikken* (Copenhagen, various years).

[69] See Flemming Ibsen and Jørgen Stamhus, *Fra Central til Decentral Lønfastsættelse* (From centralized to decentralized wage setting) (Copenhagen: Jurist- og Økonomforbundets Forlag, 1993); Torben Iversen, "Power, Flexibility and the Breakdown of Centralized Wage Bargaining: The Cases of Denmark and Sweden in Comparative Perspectivem," *Comparative Politics* (1996).

[70] Torben Iversen and Niels Thygesen, "Denmark: From External to Internal Adjustment," in Erik Jones, Jeffry Frieden, and Francisco Torres, eds., *Joining Europe's Monetary Club: The Challenge for Smaller Member States* (New York: St. Martin's Press, 1998).

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In Denmark, however, an even more severe constraint on continued fiscal expansion was political in nature. Growing taxation met with increasing opposition from both business and private sector unions, and the dramatic electoral success of the new antitax Progress Party in the "earthquake" election of 1973 unambiguously signaled the potential electoral costs of continued public sector expansion. This helped to encourage the social democratic government to take tougher stands against the demands of public sector unions, although the most dramatic policy changes came under the center-right government that took office in 1982.

Macroeconomic polices under the new government were strictly subordinated to support a hard-currency policy, the large budget deficit was completely reined in, and a series of budget and administrative reforms was adopted to bring public expenditures under control.[71] In addition, the cost-of-living indexation of wages was eliminated and the automatic regulation of public sector wages to compensate for private sector wage drift was restricted and eventually suspended.[72] Tripartite bargaining over wages and social policies had no place in the new government's strategy, and nothing was done to rescue the centralized bargaining system that had been the institutional foundation for the solidaristic wage policy.

The new government's challenge to the social democratic project was preceded by deeper changes in electoral alignments. Thus, while the social democratic strategy—with centralized, solidaristic wage bargaining and a commitment to full employment—had engendered broad class solidarity, decentralization of the bargaining system and rising unemployment undermined the economic rationale for solidaristic policies and brought to the fore distributive divisions between low- and high-productivity labor and between those in secure market positions and those in insecure ones. In Denmark and in Scandinavia more broadly the manifestation of these changes was particularly evident in a growing electoral division between low-skilled workers in the public sector and high-skilled workers in the private sector. The division was both over pay relativities (that is, over whether the pay of low-productivity public service workers should follow those of their higher-

[71] See Jesper Due and Jørgen Steen Madsen, *Når der slås søm i: overenskomstforhandlinger og organisationstruktur* (Sealing the deal: Wage bargaining and organizational structure) (Copenhagen: Jurist- og Økonomforbundets Forlag, 1988); Herman Schwartz, "Small States in Big Trouble: State Reorganization in Australia, Denmark, New Zealand, and Sweden in the 1980s," *World Politics* 46 (July 1994).

[72] See Peter Nannestad, *Danish Design or British Disease? Danish Economic Crisis Policy 1974 in Comparative Perspective* (Århus: Århus University Press, 1991); Due and Madsen (fn. 71), 41, 55.

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productivity colleagues in the private sector) and over the need for wage restraint (an issue of more concern to exposed private sector workers than to sheltered workers in the public sector).

The growing salience of this division is clearly detectable in voting patterns. Thus, while in the early 1970s private sector employees were slightly more likely than public sector employees to vote for parties to the left of the social democrats, over time the direction of these differences shifted and their magnitudes multiplied, so that by 1990 the proportion of public employees voting for new left parties (especially the Socialist Peoples' Party) was about three times that of private employees. Correspondingly, the sectoral profile of new left supporters changed from being three-quarters private to being two-thirds public.[73] We submit that the reason for this rise of left-libertarian parties in Denmark has little to do with the rise of a new postmaterialist cleavage and everything to do with old-fashioned distributive conflict in the context of a rising service economy. Old wine in new bottles, so to speak.

The emerging realignment of Danish electoral politics has been accompanied by welfare reforms. The purpose of these reforms was not just to impose greater budgetary restraint but also to increase labor-market flexibility and private sector employment.[74] Policies were also initiated to flexibilize the public sector wage structure and to raise competition in services through privatization and greater consumer choice. More recent deregulation of business hours for stores has also contributed to the emergence of a more liberal and consumer-oriented service economy.

One should not exaggerate the scope of these reforms, however. The wage structure has been highly resilient to change, and measures to deregulate markets and privatize public enterprises have been modest by British standards. In addition, some reforms have clearly followed a more Christian democratic pattern, with the introduction of early retirement schemes and facilitation of part-time employment, though not nearly on the scale seen in the Netherlands (see below). In comparative

[73] The figures are based on national election data. The growing electoral salience of the public-private sector division has been analyzed extensively in Jørgen Goul-Andersen "Social Klasse og Parti," in Jørgen Elklit and Ole Tonsgaard, eds., *To Folketingsvalg* (Århus: Politica,1989); and idem, "The Decline of Class Voting Revisited," in Peter Gundelach and Karen Siune, eds., *From Voters to Participants* (Copenhagen: Politica, 1992).

[74] A primary target for the reforms was the extremely generous unemployment benefit system. The center-right government was particularly keen to eliminate what it regarded as union disincentives to engage in responsible wage behavior and to reduce the overall financial burden of the system. The result has been a substantial reduction in average replacement rates; see Steen Scheuer, "Denmark: Return to Decentralization," in Anthony Ferner and Richard Hyman, eds., *Industrial Relations in the New Europe* (Oxford: Basil Blackwell, 1992).

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perspective, the Danish experience still represents a distinctly social democratic route, but it also illustrates how this route has engendered new lines of division in the service economy, and how alternative, non–social democratic strategies to cope with the trilemma have assumed greater political salience over time.

The Netherlands: Operating between Fiscal and Egalitarian Constraints

When compared with Denmark and Britain, the strength of Christian democratic political influence in the Netherlands is clearly visible in labor-market strategies and outcomes.[75] In particular, the goal of employment creation has consistently been assigned a lower priority than those of either budgetary restraint or equality. As we would expect from our quantitative estimation of the trilemma, this combination of budgetary restraint and egalitarian wage policies has produced a low capacity for employment growth—a problem that has traditionally been dealt with through policies of job sharing and minimization of labor-market participation.

Throughout the postwar period Christian democratic governments in the Netherlands have intervened heavily in the wage-setting process, beginning with the highly egalitarian and anti-inflationary incomes policies of the 1940s and 1950s.[76] In the tight labor markets of the 1960s, however, these policies were overtaken by wage drift. Faced with increasing union militancy, employers conceded inflationary wage settlements that seriously undermined the competitiveness of the manufacturing sector. As a result, many industries found themselves unable to compete when the first oil crisis struck in 1973.

These events coincided with the formation (in 1973) of the first social democrat–dominated government in Dutch history, under den Uyl. The new government found itself faced with an economic and industrial relations crisis, as unemployment rates started to rise and tripartite negotiations with employers and trade unions became increasingly deadlocked. In response, it embarked once again on a policy of direct intervention in wage setting. Wages were periodically frozen and increases were controlled. The government continued to make use of the opportunity afforded by direct intervention to pursue egalitarian policies, however. Income differentials were reduced both by the imposition of flat-rate increases and by the inclusion of specific compensations

[75] Christian parties dominated every postwar government until the early 1970s.

[76] Steven B. Wolinetz, "Socio-economic Bargaining in the Netherlands: Redefining the Post-War Policy Coalition," *West European Politics* 12, no. 1 (1989).

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for low-wage workers. More direct action on equality was taken with the indexation of minimum wages and social benefits to the average private sector wage.[77]

Den Uyl's choice of economic strategy in response to the crisis was constrained by his government's dependence on Christian democratic coalition partners. Thus, while it was possible to pursue the goal of equality, the pursuit of a full-scale social democratic strategy based on the large-scale expansion of public employment was effectively blocked.[78] Extensive public sector employment schemes to increase overall employment levels ran counter to Christian democratic ideals of the minimization of direct state involvement in the economy and seriously threatened the goal of budgetary restraint.

In fact, the strategy of the den Uyl government (which was voted out of office in 1977) left the Dutch economy poorly equipped to deal with the second oil crisis in 1979. Wage indexation had undermined the flexibility of real wages so that the shock caused a dramatic doubling of unemployment, from 5.7 to 11.9 percent, between 1979 and 1982.[79] Meanwhile, the indexation of public to private sector wages—a mechanism jealously guarded by public sector unions—made expenditures increasingly difficult to control.

The unions and the socialists proposed a solution to the unemployment problem that advocated the use of public sector employment. But in its emphsis on the need for job sharing and the creation of part-time employment (strategies that are more compatible with budgetary restraint), their plan also reflected an awareness of the political strength of Christian democracy. Meanwhile, employers, liberals, and conservative elements within the Christian Democratic Party advocated a more radical "liberal" route—the decentralization of wage bargaining, removing labor-market rigidities (including the system of income linkages), lowering minimum wages, and cutting public sector expenditure.

The neoliberal position began to gain prominence with the formation in 1982 of a coalition of Christian democrats and liberals, under Luebbers. The new government introduced a strict austerity package that included a 3 percent cut in public sector salaries and widespread cutbacks in welfare state benefits. In addition, the system of wage and

[77] Ibid.; Kees Van Kersbergen and Uwe Becker, "The Netherlands: A Passive Social Democratic Welfare State in a Christian Democratic Ruled Society," *Journal of Social Policy* 17, no. 4 (1988).

[78] Dietmar Braun, "Political Immobilism and Labor Market Performance: The Dutch Road to Mass Unemployment," *Journal of Public Policy* 7, no. 3 (1987); van Kersbergen and Becker (fn. 77).

[79] Erik Jones, "The Netherlands: Top of the Class," in Erik Jones, Jeffry Frieden, and Francisco Torres, eds., *Joining Europe's Monetary Club: The Challenge for Smaller Member States* (New York: St. Martin's Press, 1998).

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benefit linkages was removed.[80] However, there is little indication that these changes actually resulted in a broadening of earnings differentials in the Dutch case. Certainly by 1990 (when our time series end) no substantial change in overall earnings differentials could be detected.[81] This stability may be at least partially attributable to the continued government practice of imposing mandatory extensions of collective agreements on nonunionized firms, since collectively agreed-upon wages in the lowest grades have tended to be considerably higher than the statutory minimum.[82]

Dutch unemployment performance improved substantially in the second half of the 1980s. But it would clearly be incorrect to attribute this performance to the pursuit of a neoliberal strategy based on the trade-off between employment and equality. In fact, the reduction in unemployment is largely attributable to extremely high rates of increase in part-time female employment in the services sector.[83] It was also facilitated by a very substantial rise in the number of unemployed listed as "disabled" and by early retirement.[84] Thus, a large component of the improvement in employment performance represents an increase in job sharing and labor-market exit rather than a genuine increase in full-time employment equivalents. The Dutch solution to the unemployment problem thus remains essentially Christian democratic in nature. An emphasis on work sharing and exit rather than on overall employment creation allows for high levels of equality and fiscal discipline and for simultaneous reductions in unemployment.

New strategies for job sharing are likely to become more necessary in all Christian democratic countries as a concomitant to the increasing political difficulty of pursuing the more traditional Christian democratic strategy of reducing unemployment by minimizing the labor supply. The pressure on traditional Christian democratic models arising from political mobilization around issues of women's rights is already visible in the Netherlands, where in recent years labor-market

[80] With the election of a socialist government in 1990, minimum wages were recoupled with average wages.

[81] The remarkable stability of earnings differentials over the last decade is also noted in Jelle Visser, "Two Cheers for Corporatism, One for the Market: Industrial Relations, Unions, Wages and Labour Markets in the Netherlands," *British Journal of Industrial Relations* (forthcoming).

[82] Ibid.

[83] Seventy-five percent of the increase in service sector employment between 1985 and 1990 was part time. With the exception of Belgium, no other EC country recorded a value of more than 43 percent (Germany). Eighty-six percent of part-time employees in the Netherlands are female. Cf. Daniele Meulders, Olivier Plasman, and Robert Plasman, *Atypical Employment in the EC* (Brookfield, Vt.: Dartmouth Publishing Co., 1994).

[84] By 1989 an astonishing 13 percent of the total labor force was listed as worker disabled; Jones (fn. 79).

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policy has displayed an increasing emphasis on raising the level of labor-market participation.[85]

Conclusions

The evidence presented in this paper clearly supports the existence of a trade-off between intersectoral wage equality and the expansion of employment in the private services sector. Given the declining capacity of the manufacturing sector to generate employment in most OECD countries, the existence of this trade-off presents governments with a trilemma, or three-way choice, between the goals of earnings equality, budgetary restraint, and employment growth. Employment growth can be achieved only in the private services sector, at a cost of higher levels of wage inequality; or in the public services sector, at a cost either of higher taxes or of higher deficits. Strict adherence to the goals of budgetary restraint and wage equality simultaneously will therefore result in an inferior employment performance.

In analyzing the paths followed by individual countries in the face of these choices, the influence of ideological legacies and existing socioeconomic institutions becomes clear. Traditionally countries dominated by social democrats display a commitment to equality and employment and a willingness to sacrifice budgetary restraint. The pursuit of this ideological agenda has been supported by the institutionalized system of centralized solidaristic wage bargaining. In the Christian democratic countries the goals of equality and budgetary restraint have assumed primary importance with visible costs in terms of employment growth. This outcome has been facilitated by a system that combines centralized wage-bargaining institutions with tax codes and other policies aimed at discouraging labor-market participation. The neoliberal route rests on the free operation of markets, and the associated outcome has been employment growth and budgetary restraint accompanied by increasing levels of inequality.

While recognizing the significance of ideological and institutional legacies in determining the distributional outcomes associated with the trilemma, the paper also seeks to emphasize that existing institutions and ideological platforms are themselves placed under an entirely new set of strains by the growing salience of the trilemma. The emergence

[85] Robert C. Kloosterman "Three Worlds of Welfare Capitalism? The Welfare State and the Post-Industrial Employment Trajectory in the Netherlands after 1980," *West European Politics* 17, no. 4 (1994).

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of a stark new trade-off between equality and employment expansion, which did not exist in the golden age of manufacturing, creates a critical tension in the ideological platform of social democrats. While we have demonstrated that a strategy of expanding public sector employment can obviate the need to choose between the goals of equality and employment, there are political limits to the feasibility of this strategy, as is evidenced by the Danish tax revolts and divisions between the private and public sectors. The Danish case also highlights the strains imposed on solidaristic wage policies by distributional conflict between high- and low-productivity workers.

For Christian democrats the trade-off between equality and employment creates a different kind of tension. Christian democrats have traditionally placed a relatively low priority on employment creation, relying on a strategy of minimizing labor force participation to prevent unemployment rates from rising. In traditionally Christian democratic countries, therefore, the strains associated with the trilemma are likely to become most visible where policies designed to discourage participation become politically infeasible. In the Dutch case it appears that policy choices may have begun to narrow in this way. The dominant response so far has been an attempt to share limited employment opportunities rather than the alternative of increasing earnings inequality or expanding the public sector.

Much of the institutional change that we observe arises from distributional struggles at the margin. However, the British case demonstrates the proactive capacity of governments to radically alter the institutions and hence to affect the distributional outcomes associated with the trilemma. By reducing the power of unions and deregulating markets, the Conservatives in Britain managed to increase private service sector employment. However, the dramatic increase in inequality and poverty that accompanied these changes contributed to the climate of political discontent that led to the recent removal of the Conservatives from office.

The Danish and British cases thus provide clear evidence of the political limits of the social democratic and neoliberal strategies. The social and political costs associated with the new strain of Christian democratic policies being pursued in the Netherlands have yet to be fully assessed. However, one is well advised not to declare the Dutch cure an unqualified success. Although many of the overt unemployment problems have been dealt with, labor-market marginalization and exclusion continue to plague the Dutch economy. So while a fundamentally

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Christian democratic model has been spiced up with some neoliberal reforms, the Netherlands has not overcome the trilemma and continues to be one of the worst employment performers in the OECD area.

One final point to note is that the severity of the trilemma depends on the continued inability to increase productivity in the services sector. Increases in services productivity would allow prices to fall and wages to rise simultaneously, as in the golden age of manufacturing. Where governments and economic actors can successfully adopt new strategies to bring services productivity closer in line with that of manufacturing, the starkness of the employment equality trade-off and the distributional conflicts that surround it will be reduced. The issue of whether such strategies exist, which we believe is intimately tied to the emergence of international markets for services, is therefore a critical one for future research.

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CONTENTIOUS POLITICS IN NEW DEMOCRACIES
East Germany, Hungary, Poland, and Slovakia, 1989–93

By GRZEGORZ EKIERT and JAN KUBIK*

I. Protest and Postcommunist Democratic Consolidation

IN the aftermath of the collapse of state socialism, East Central European states are now well on their way toward establishing working democracies; and with the exception of Slovakia, they can all boast a solid record in the area of political liberties and human rights.[1] These newly democratized regimes are not in any immediate danger of reverting to authoritarian rule. At the same time, the progress of political and economic transformations has been uneven and their chances of achieving full democratic consolidation are still uncertain. Consequently, the study of various aspects and limits of democratic consolidation in postcommunist states has emerged as one of the most intriguing and challenging areas of comparative politics.

This paper explores the question of democratic consolidation from a specific analytical and empirical angle—the comparative study of collective protest in the former East Germany, Hungary, Poland, and Slovakia. By doing so, we attempt to accomplish three goals: (1) to correct a proelite bias in the literature on democratic transitions by studying the behavior of nonelite actors; (2) to determine which factors account for different magnitudes and specific repertoires of protest; and

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[1] See Freedom House, *Freedom in the World: The Annual Survey of Political Rights and Liberties, 1994–1995* (New York: Freedom House, 1996).

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(3) to consider the proposition that protest endangers democratic consolidation.

All countries of Central Europe are in the throes of difficult economic adjustments and structural changes that have engendered major dislocations and exacted considerable social costs. It has often been argued that such a situation poses a great danger to these new democracies; the high social costs of transitions can easily provoke widespread protests leading to the collapse or serious weakening of democratic institutions.[2] We ask whether and how the economic policies of the new regimes were actively contested. Did some countries experience more protest than others? What factors determine variation in protest magnitudes and protest repertoires—the type of transformation strategy adopted, the political and social legacies of the communist rule, the level of social cost and hardship produced by the reforms, new institutional architecture of the post-1989 polity, or the organizational resources and capabilities of various collective actors? For example, with Poland the only country in our sample that had a strong and recent tradition of political conflict and protest, a high level of protest could have been expected.[3] Its magnitude in the former GDR is surprising, however; since 1989 East Germany has been similarly contentious, despite the absence of any considerable protest traditions before 1989. Are the high levels of protest in East Germany explained by the same conjunction of factors that operated in Poland?

Moreover, the fall of state socialism opened the way for political participation and contentious collective action, as is always the case when state institutions undergo a significant transformation and abandon repressive political practices. Thus although one would expect a high level of political mobilization and protest activities in such transitory polities, a preliminary overview of protest politics does not bear that out: the number of protest events in the four countries under study is not higher than in consolidated West European democracies, and in two cases it is distinctly lower. Why is that so?

Comparative studies of collective protest offer four theories for explaining the incidence of contentious collective action, as well as its

[2] Gray, for example, argued that "the human and social costs of transition to a market economy are for most of the post-Communist states so great that it is foolish to suppose that the transition can be conducted under liberal democratic institutions." John Gray, "From Postcommunism to Civil Society: The Reemergence of History and the Decline of the Western Model," in Ellen Frankel Paul, Fred D. Miller, and Jeffrey Paul, eds., *Liberalism and the Economic Order* (London: Cambridge University Press, 1993), 44.

[3] See Grzegorz Ekiert, "Rebellious Poles: Political Crises and Popular Protest under State Socialism, 1945–1989," *East European Politics and Societies* 11 (Spring 1997).

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forms and magnitude. Variation in protest characteristics can be explained by underscoring (1) discontents and grievances that can be translated into protest through psychological mechanisms of relative deprivation; (2) changes in the structure of political opportunities and actors' calculated responses to them; (3) the prior existence of traditions, repertoires of collective action, and mobilizing collective action frames; and (4) the availability of resources (material and organizational) as main determinants of protest activities.[4] We will consider the explanatory power of these four theories in our analysis. It should be noted, however, that we do not aim to verify them, nor are we in a position to determine which of them explains more variance. The nature of our data is not suited to such tasks. Moreover, we adopt here the comparative strategy more indebted to the case-oriented comparative method than to the variable-oriented approach. We also assume that we are dealing with *multiple* and *conjunctural* types of causation.[5] From this point of view, the four theories (or analytical perspectives) are not mutually exclusive; rather, they help to identify a set of explanatory variables that may or may not codetermine the outcome in any given case. It may also turn out that each of the four theories explains a specific dimension of collective protest and is more useful for understanding one set of cases than for understanding others.

Our analysis of contentious politics is founded on an assumption that democratic consolidation is a highly contingent and complex process taking place in several spheres of the sociopolitical organization of society.[6] Developments within each sphere and the relationship between them often produce confusing outcomes and increase uncertainty. Moreover, as democratic regimes take different paths toward consolidation, so too do the degrees of contentious political participation and stability of their institutional arrangements vary.

[4] For the most recent assessment of these theories and their mutual relationships, see Doug McAdam, John D. McCarthy, and Mayer Zald, eds., *Comparative Perspectives on Social Movements* (Cambridge: Cambridge University Press, 1996). The nature of our data (events) is such that we need to use macrotheories (historical-sociological), rather than microtheories(game-theoretic), of collective action. For the discussion of the significance of both perspectives, see Marc Lichbach, *The Rebel's Dilemma* (Ann Arbor: University of Michigan Press, 1995), esp. chap. 10.

[5] These ideas are developed by Ragin. The concept of conjunctural causation serves to indicate that in the social world causes work in interaction with each other and their effects on the dependent/explained variable are not merely additive. The concept of multiple causation indicates that there may be several combinations of independent variables (conditions or factors) that produce the same outcome (dependent variable). See Charles Ragin, *The Comparative Method: Moving beyond Qualitative and Quantitative Strategies* (Berkeley: University of California Press, 1987).

[6] For the elaboration of this point, see Grzegorz Ekiert and Jan Kubik, *Collective Protest and Democratic Consolidation in Poland, 1989–1993,* Pew Papers on Central Eastern European Reform and Regionalism, no. 3 (Princeton: Center of International Studies, Princeton University, 1997).

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Earlier studies of democratization and democratic consolidation focused on structural preconditions of these processes. More recently many researchers abandoned structural approaches and adopted the elite-centered perspective. O'Donnell, Schmitter, and their collaborators argue that "elite pacts" are essential to the successful transition from authoritarian rule.[7] Similarly, Diamond and Linz claimed that "the skills, values, strategies, and choices of political leaders figure prominently in our explanation of the enormously varied experiences with democracy in Latin America."[8] Higley and Gunther contended that "in independent states with long records of political instability and authoritarian rule, distinctive elite transformations, carried out by the elites themselves, constitute the main and possibly the only route to democratic consolidation."[9] This almost exclusive focus on elites creates a theoretical weakness in the existing studies of regime change and consolidation. Moreover, a methodological emphasis on rational choice explanations and on modeling political processes as games[10] further reinforces the already dominant elite-centered focus of research on democratic transition. Additionally, the greater availability of elite data favors the elite-centered perspective. Party programs, public speeches and interviews of leaders, reports on electoral campaigns, election results, journalistic commentaries, and so on are all readily accessible in the public domain. Such data sources enable one to reconstruct the political positions of elite actors and the bargaining processes among them and then to trace their compromises, coalitions, and policy choices. By contrast, data on the political activities of nonelite actors are not readily available; public-opinion polls have been routinely used as the sole source of empirical knowledge on the politics of the populace at large.

We also find that the existing literature has accorded more prominence to certain dimensions of consolidation and neglected others: institutional choices of governmental structures and electoral institutions, as well as the formation of party systems, are usually viewed as the most important elements in the stabilization and consolidation of democracy. The importance of institutional choices is emphasized by Lijphart

[7] Guillermo O'Donnell and Philippe Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore: Johns Hopkins University Press, 1986), 37–39.

[8] Larry Diamond and Juan Linz, "Introduction: Politics Society and Democracy in Latin America," in Larry Diamond, Juan Linz, and Seymour Martin Lipset, eds., *Democracy in Developing Countries: Latin America* (Boulder, Colo.: Lynne Rienner, 1989), 14.

[9] John Higley and Richard Gunther, eds., *Elites and Democratic Consolidation in Latin America and Southern Europe* (Cambridge: Cambridge University Press, 1992), xi.

[10] See Herbert Kitschelt, "Comparative Historical Research and Rational Choice Theory: The Case of Transition to Democracy," *Theory and Society* 22 (1993).

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and Waisman, who argue that "in all cases the transition involves . . . similar 'tasks': in the polity the design or reestablishment of governmental institutions and electoral systems. In the economy the establishment . . . of the institutional infrastructure of a market economy."[11] Haggard and Kaufman underscore the importance of political parties, arguing that "the capacity to organize stable political rule—whether authoritarian or democratic—in the modern context of broad social mobilization and complex economic system ultimately rests on organized systems of accountability, and these in turn rest on political parties."[12] In addition, works on Eastern Europe tend to focus on the complex interactions between economic and political reforms.[13] This problem has come to be known as the "dilemma of simultaneity" or the "transitional incompatibility thesis."[14]

The preoccupation with (1) elites, (2) institutional choices concerning governmental and electoral systems, (3) party systems, and (4) the relationship between political and economic changes is responsible for a considerable gap in the democratization literature. We know very little about the activities of nonelite actors and how these activities shape the processes of democratization. Some students of democratic transitions have begun, however, studying the importance of the "resurrection of civil society" and its political role both during the decomposition of authoritarian rule and in its aftermath.[15] It is often noted that the great-

[11] Arend Lijphart and Carlos H. Waisman, eds., *Institutional Design in New Democracies* (Boulder, Colo.: Westview, 1996), 2.

[12] Stephan Haggard and Robert R. Kaufman, *The Political Economy of Democratic Transitions* (Princeton: Princeton University Press, 1995), 370; Geoffrey Pridham, ed., *Securing Democracy: Political Parties and Democratic Consolidation in Southern Europe* (London: Routledge, 1990); Juan J. Linz, "Change and Continuity in the Nature of Contemporary Democracies," in Gary Marks and Larry Diamond, eds., *Reexamining Democracy* (Newbury Park, Calif.: Sage, 1992); Herbert Kitschelt, "The Formation of Party Systems in East Central Europe," *Politics and Society* 20, no. 1 (1992).

[13] See, for example, Adam Przeworski, *Democracy and the Market* (Cambridge: Cambridge University Press, 1991); Grzegorz Ekiert, "Prospects and Dilemmas of the Transition to a Market Economy in East Central Europe," in *Research on Democracy and Society* 1 (1993); Luiz Carlos Bresser Pereira, Jose Maria Maravall, and Adam Przeworski, *Economic Reforms in New Democracies* (Cambridge: Cambridge University Press, 1993).

[14] See Claus Offe, "Capitalism by Democratic Design? Democratic Theory Facing the Triple Transition in East Central Europe," *Social Research* 58, no. 4 (1991); Piotr Sztompka, *Dilemmas of the Great Transition: A Tentative Catalogue,* Program on Central and Eastern Europe Working Paper Series, no. 19 (Cambridge: Center for European Studies, Harvard University, 1992); Leslie Armijo, Thomas Biersteker, and Abraham Lowenthal, "The Problems of Simultaneous Transitions," *Journal of Democracy* 5, no. 4 (1994).

[15] For the most recent examples of this growing interest in the role of civil society in democratization, see Sidney Tarrow, "Mass Mobilization and Regime Change: Pacts, Reform, and Popular Power in Italy (1918–1922) and Spain (1975–1978)," in Richard Gunther, Nikiforos Diamandouros, and Hans-Jurgen Puhle, eds., *The Politics of Democratic Consolidation: Southern Europe in Comparative Perspective* (Baltimore; Johns Hopkins University Press, 1995); Victor Perez-Dias, *The Return of Civil Society* (Cambridge: Harvard University Press, 1993); Nancy Bermeo, "Myths of Moderation: Confrontation and Conflict during Democratic Transitions," *Comparative Politics* 29 (April 1997);

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est challenge to the policies of the newly democratized states may come from various organizations of civil society (for example, labor unions, interest groups, and popular movements). Tilly in his work on collective action in France and Britain convincingly demonstrates that over the last two centuries organizations of civil society were the typical vehicles of protest.[16] Yet the development of such organizations and their political role have not been systematically documented and analyzed.

The study of the role of citizens in democratic transitions has often been reduced to an examination of political attitudes, conducted on representative samples of the population. The third wave of democratization allows, that is, for the administration of unconstrained public-opinion polls—often for the first time in the history of a given society. Understandably, many scholars have seized the opportunity to study public attitudes and their changes during the transition process.[17] But while such studies expand our knowledge of public reactions to regime change, they tell us little about the actual political behavior of nonelite actors. As Tarrow emphasizes, "Unless we trace the forms of activity people use, how these reflect their demands, and their interaction with opponents and elites, we cannot understand either the magnitude or the dynamics of change in politics and society."[18]

Our research project was based on the assumption that event analysis and, in particular, the systematic collection of data on collective action from newspapers can shed new light on the political behavior of nonelite actors during democratic consolidation. Following the pioneering work of Charles Tilly and his associates, event analysis became an accepted and often indispensable research method in the study of collective action, protest, and social movements. Despite its limitations, acknowledged by those who use it, the event analysis is uniquely capa-

Philippe Schmitter, "Civil Society and the Consolidation of Democracy" (Manuscript, Stanford University, 1996); Stephen Fish, *Democracy from Scratch: Opposition and Regime in the New Russian Revolution* (Princeton: Princeton University Press, 1995); Philip D. Oxhorn, *Organizing Civil Society: The Popular Sectors and the Struggle for Democracy in Chile* (University Park: Pennsylvania State University Press, 1995).

[16] See, for example, Charles Tilly, Louise Tilly, and Richard Tilly, *The Rebellious Century, 1830–1930* (Cambridge: Harvard University Press, 1975); Charles Tilly, *The Contentious French* (Cambridge: Harvard University Press, 1986). This regularity is confirmed by all systematic studies of protest in contemporary societies.

[17] See, for example, an impressive series of studies produced by the Center for the Study of Public Policy, University of Strathclyde, and coordinated by Richard Rose; Peter McDonough, Samuel H. Barnes, and A. Lopez Pina, "The Growth of Democratic Legitimacy in Spain," *American Political Science Review* 80, no. 3 (1986); Krzysztof Zagorski, "Hope Factor, Inequality, and Legitimacy of Systemic Transformations: The Case of Poland," *Communist and Post-Communist Studies* 27, no. 4 (1994).

[18] Sidney Tarrow, *Democracy and Disorder: Protest and Politics in Italy, 1965–1975* (Oxford: Clarendon Press, 1989), 7–8.

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ble of providing extensive and systematic sets of data on protest activities and their different components and dimensions.[19]

II. Incidence and Magnitude of Collective Protest in Post-1989 East Central Europe

In our research project we sought to construct a detailed database of all forms and incidents of collective protest in the former East Germany, Hungary, Poland, and Slovakia, for the years 1989–94. We adopted a broad definition of protest event to cover all types of noninstitutional and unconventional political actions, and we used identical coding protocols in the four countries.[20] Our research teams scanned two daily newspapers and four weeklies in each country for the entire period under study and recorded all available information concerning reported protest actions. The number of protest events recorded in each country is presented in Table 1. The table reveals striking differences in the number of protest events in the various countries. Poland and the former GDR had a high number of protest events during the analyzed period with relatively small differences between years. Hungary and Slovakia had a much lower incidence of protests. This situation calls for close examination, given the fact that all countries have been undergoing a turbulent political transformation and implemented comprehensive economic adjustment programs involving a substantial level of disruption and social cost. In Slovakia the low number of protest activities and the predominance of nondisruptive methods, such as protest letters, is especially surprising. One might expect a country breaking away from a long-standing federation and building an independent state to experience a high level of popular mobilization.

[19] For the review of methodological issues and various applications of the protest event analysis, see Roberto Franzosi, "The Press as a Source of Socio-historical Data: Issues in the Methodology of Data Collection from Newspapers," *Historical Methods* 20 (1987); Charles Tilly, *Popular Contention in Great Britain, 1758–1834* (Cambridge: Harvard University Press, 1995); Dieter Rucht and Thomas Ohlemacher, "Protest Event Data: Collection, Uses and Perspectives," in Mario Diani and Ron Eyerman, eds., *Studying Collective Action* (London: Sage, 1992); Susan Olzak, "Analysis of Events in the Study of Collective Action," *Annual Review of Sociology* 15 (1989); Dieter Rucht, Ruud Koopmans, and Friedhelm Neidhardt, eds., *Protest Event Analysis: Methodological Perspectives and Empirical Results* (Berlin: Sigma Press, 1998).

[20] We define the protest event as collective action by at least three people who set out to articulate specific demands. Our database includes also extreme, politically motivated acts such as self-immolation, hunger strikes, or acts of terror carried out by individuals. In order to qualify as a protest event, such action cannot be the routine or legally prescribed behavior of a social or political organization. Strikes, rallies, or demonstrations are considered to be protest events for the purpose of our analysis because of their radical and disruptive nature. For various definitions of events used in event analysis, see Olzak (fn. 19), 124–27. From 1989 to 1994 none of the four countries experienced the sort of governmental censorship that would systematically distort information on protest activities.

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TABLE 1
PROTEST EVENTS
(1989–93)

	1989	*1990*	*1991*	*1992*	*1993*	*Total*
Poland	314	306	292	314	250	1,476
Slovakia	—	50	82	116	47	295
Hungary	122	126	191	112	148	699
East Germany	222	188	291	268	283	1,254

The numbers presented in Table 1 are not weighted by the size of the population. Also, given our definition of protest event, the set of protest events recorded by our coders included both small, brief street gatherings and strike campaigns of several months' duration. Hence, in order to grasp the magnitude of protest in a given unit of time we had to construct a synthetic index of magnitude. Inspired by Tilly's idea of gauging simultaneously several dimensions of protest, we attempted to construct such an index, by multiplying three variables of our data protocol: duration, number of participants, and scope.[21] Unfortunately "number of participants" proved to be the variable with the highest frequency of missing values.[22] Two attempts to estimate missing values, relying on different assumptions, produced very different results; thus the validity of our composite index of magnitude proved to be dubious. We settled for a simpler index based solely on the "duration" variable, for which we have an almost perfect record.[23] To create this index, the duration of each protest event was expressed as the number of twenty-four-hour periods it was composed of. For example, a seven-day strike was assigned a value of seven protest days. Next, we summarized the values of this new variable for all protest events in a given calendar year. That gave us an approximation of the protest magnitude for each year in all four countries. Additionally, we calculated means of protest magnitude for each country for the entire period under study. This number was then divided by the number of adults (individuals aged fifteen to sixty-four) in order to arrive at the *weighted index of magnitude* for each country. The results of these calculations are reported in Table 2 and

[21] Charles Tilly, *From Mobilization to Revolution* (New York: McGraw-Hill, 1978), 162–64.

[22] More than 50 percent of the values are missing in our Polish, Slovak, and Hungarian databases for several calendar years.

[23] The validity of a synthetic construct or category can be improved by increasing the number of independent measures on which it is based and finding such measures as strongly correlate with each other; see Robert Philip Weber, *Basic Content Analysis* (Newbury Park, Calif.: Sage, 1990), 18–21. Since our index of magnitude is based on only one measure (duration), its validity is weak. But we traded validity for higher accuracy.

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TABLE 2
GENERAL MEASURES OF PROTEST ACTIVITIES
(1989–93)

	Poland	*Slovakia*	*Hungary*	*GDR*
Population (15–64) in millions	25	4	7	11
Protest events	1,476	295	699	1,254
Protest days	14,881	2,206	2,574	5,349
Protest/year	295	74	140	251
Protest days/year	2,976	441	515	1,070
Protest days/million population (15–64)	119.4	110.3	73.6	97.3
Strikes	432	24	61	107
Demonstrations	544	87	244	607
Ratio: demonstrations/strikes	1.26	3.63	4.0	5.7
Strikes/year/million population (15–64)	3.5	1.5	1.74	1.95
Demonstrations/ year/million population (15–64)	4.35	5.45	6.97	11.04

illustrated in Figure 1. As the figure clearly demonstrates, each country had its own specific dynamic of protest during the period studied.[24] In Poland the magnitude of protest decreased in 1990 but then increased every year thereafter. This increasing magnitude of protest in Poland is the most unexpected finding of our study. We assumed that the regime transition, the transfer of political power, and the introduction of dramatic economic reforms would produce a higher level of popular mobilization and contentious politics at the beginning of the analyzed period. In Hungary the magnitude of protest was highest in 1989, declined in the following two years, and increased again at the end of the analyzed period. In Slovakia protest intensified until 1992 and declined afterward. In the former East Germany the magnitude of protest peaked in 1992 and declined in 1993.

The order of weighted indexes of magnitude produces a somewhat surprising ranking of the four countries. Poland turns out to have been the most contentious state during the early phase of democratic consolidation. Given Poland's traditions of contentious politics, this is not a surprise; but Slovakia's second-place ranking is. The latter country did not have as much protest as other states and protest actions were mostly nondisruptive (protest letters, statements), but on the per capita basis its population proved to be quite contentious. The biggest surprise is Hungary coming in last, since by all accounts Hungarians are more

[24] Another index of magnitude, based partially on the "numbers of participants" variable (whose missing values were estimated), produced almost identical approximations of protest dynamics between 1989 and 1993.

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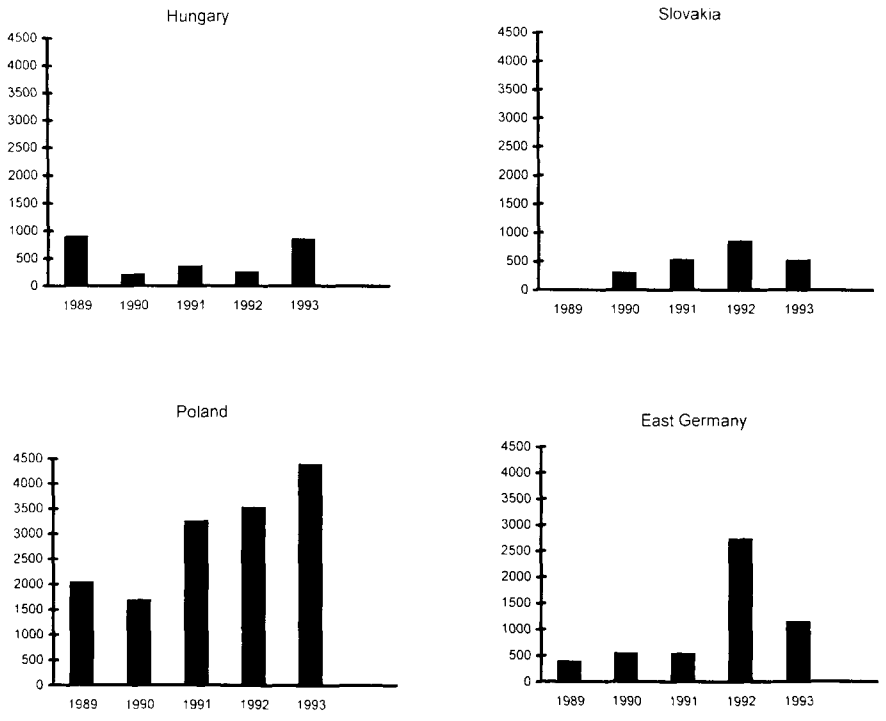

FIGURE 1
PROTEST DAYS, BY COUNTRY

dissatisfied with the post-1989 changes than are Poles or East Germans; one would expect them to be more contentious. In the fourth section we offer several explanations for both the differential patterns of protest dynamic and each country's standing in our protest ranking.

III. SELECTED CHARACTERISTICS OF PROTEST POLITICS

The countries analyzed in this paper differ not only in terms of incidence and magnitude of protest but also in terms of other protest characteristics (even though the repertoire of contention closely mirrored standard strategies used by protesting groups in contemporary politics). Protest actions in Poland, Hungary, and Slovakia were decidedly nonviolent. In Poland disruptive strategies such as street demonstrations and strikes were most common; in Hungary and Slovakia nearly 70 percent of the strategies used by protesting groups were nondisruptive.

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TABLE 3
GENERAL PROTEST STRATEGIES
(NUMBER AND PERCENTAGE OF TOTAL)

Protest Strategies	*Poland*	*Hungary*	*Slovakia*	*GDR*
Violent	115	21	9	286
	5.0%	1.7%	2.0%	13.2%
Disruptive	1,145	382	142	1,054
	49.5%	30.8%	31.2%	48.7%
Nondisruptive	1,051	838	304	826
	45.5%	67.5%	66.8%	38.1%
N= all strategies	2,311	1,241	455	2,183

In contrast to these three countries, the number of violent protests in the former GDR was significantly higher, and disruptive strategies dominated the repertoire of collective action. See Table 3.

Our database did not record any important shifts in protest strategies used by challenging groups. Dominant types of strategies remained consistent throughout the entire period under study. Nor did we register any significant innovations in protest activities that were later diffused from one category of protestors to another or among various groups and organizations. Thus the repertoires of contention in each country remained relatively stable over time. This may indicate that we are not dealing with the type of protest cycle that Tarrow says is characterized among other things by expanding repertoires of contention.[25]

Although the general strategies of protest (violent, disruptive, and nonviolent) did not vary significantly from country to country, there were nevertheless specific forms of protest that tended to dominate in each country. In all four countries disruptive strategies including demonstrations, marches, and street blockades were frequently used by protesting groups and were most common in the former East Germany. In Poland strikes and strike alerts were used regularly, with the number of strikes there being at least three times higher than in any of the other countries. If we combine strikes and strike alerts, this form of protest constitutes 36.4 percent—that is, the plurality—of protest strategies in the Polish repertoire. The number of strikes was significantly smaller in the other three countries. In Hungary and Slovakia protest letters and statements were the most frequent strategy used to

[25] Sidney Tarrow, "Cycles of Collective Action: Between Moments of Madness and the Repertoire of Contention," in Mark Traugott, ed., *Repertoires and Cycles of Collective Action* (Durham, N.C.: Duke University Press, 1995).

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TABLE 4
SPECIFIC PROTEST STRATEGIES
(NUMBER AND PERCENTAGE OF TOTAL)[a]

Protest Strategies	*Poland*	*Slovakia*	*Hungary*	*GDR*
Strike	432	64	25	128
	18.7%	5.1%	5.5%	5.9%
Occupation of public buildings	119	8	4	76
	5.1%	.6%	.8%	3.5%
Demonstration/march/ blockade	544	296	94	792
	23.5%	23.7%	20.7%	36.6%
Strike alert/threat to undertake	408	141	48	64
protest action	17.7%	11.3%	10.5%	3.0%
Violent action	115	21	9	286
	5.0%	1.7%	2.0%	13.2%
Open letters/statements	316	406	182	180
	13.7%	32.5%	40.0%	8.3%
Other	377	312	93	639
	16.3%	25.0%	20.4%	29.5%
N=number of strategies	2,311	1,248	455	2,165

[a] Due to rounding, not all percentages total 100.

express grievances and convey demands. The most frequently used strategies recorded in our database are presented in Table 4.

Not all social groups and categories were active in contentious politics; those who seem to have been hardest hit by the market reforms were often absent from the protest scene. Relatively few protest actions were organized by marginalized social groups such as the homeless and the unemployed or by minorities. Rather, it was mainstream social and professional groups that were most often involved in protest actions. In Hungary, Poland, and Slovakia public sector employees (excluding workers in state-owned enterprises) constituted the most protest-prone social category. In Poland workers and farmers were more prominent in protest activities than they were in the other three countries. Youth were more frequently involved in protest actions in the former GDR and Poland than in the other two countries. This finding, however, has to be carefully interpreted; we were unable to determine the category of participants in the majority of demonstrations, because we are missing a substantial amount of data on the social and professional profile of protesters. This amount is lower for Poland, because it is easier to identify participants in strikes, which were the dominant strategy in that country. The data on sociovocational categories of protest participants are presented in Table 5. The main cleavage of postcommunist politics

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TABLE 5
SOCIOVOCATIONAL CATEGORY OF PARTICIPANTS
(NUMBER AND PERCENTAGE OF TOTAL)

Category	*Poland*	*Slovakia*	*Hungary*	*GDR*
Workers	516	71	74	170
	34.4%	14.3%	22.0%	18.4%
Farmers/ peasants	141	28	15	24
	9.4%	5.6%	4.4%	2.6%
Service sector	121	17	18	31
	8.1%	3.4%	5.3%	3.4%
Public state sector	350	161	111	194
	23.3%	32.5%	32.8%	21.0%
Youth	154	63	20	255
	10.3%	12.7%	5.9%	27.7%
Other	218	156	100	248
	14.5%	31.5%	29.6%	26.9%
N = total recorded categories	1,500	496	338	922

revealed by our research is between the state and its own employees. This contention is supported by the data regarding protest organizers and targets.

Our data on protest organizers are more reliable. We falsified our initial hypothesis that the incidence of spontaneous protests is going to be high during the early stages of regime transition. Protest events in all countries were usually organized by well-established organizations. Each country's protest politics was dominated by a different set of organizations, but the range of organizations sponsoring protest actions was similar to those sponsoring protest activities in other European countries. They included labor unions, political parties, interests groups, and social movements. The only contrast with West European experiences was the much smaller role of social movements in sponsoring protest activities and the relatively larger role of traditional organizations such as political parties, trade unions, or professional associations.[26] In Poland trade unions were the most active organizers of protest activities. In Hungary and Slovakia political parties were the most frequent organizers of protests. In the former East Germany social movements were dominant, followed by political parties. The data on protest organizers are presented in Table 6.

[26] New social movements organized 36.1 percent or protests in France, 73.2 percent in Germany, 65.4 percent in the Netherlands, and 61.0 percent in Switzerland. See Jan Willem Duyvendak and Hanspeter Kriesi, "National Cleavage Structures," in Hanspeter Kriesi et al., *New Social Movements in Western Europe* (Minneapolis: University of Minnesota Press, 1995), 20.

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TABLE 6
ORGANIZATIONS SPONSORING OR LEADING PROTEST ACTIONS
(NUMBER AND PERCENTAGE OF TOTAL)[a]

Category	*Poland*	*Slovakia*	*Hungary*	*GDR*
None	167	125	50	174
	11.6%	12.2%	11.7%	10.5%
Political parties	89	263	99	335
	6.2%	25.8%	23.2%	20.1%
Labor unions	709	160	70	275
	49.1%	15.7%	16.4%	16.5%
Peasant/farmer organizations	80	6	3	9
	5.5%	.6%	.7%	.5%
Interest groups	91	117	56	56
	6.3%	11.5%	13.2%	3.4%
Social/political movements	228	137	69	553
	15.8%	13.4%	16.2%	33.2%
Other	80	213	79	262
	5.5%	20.9%	18.5%	15.7%
N = number of organizations	1,444	1,021	426	1,664

[a] Due to rounding, not all percentages total 100.

Initially, we expected that the demands of the protesting groups would be concerned primarily with political issues. We accepted the notion common in the literature on East European transitions that in the wake of the collapse of state socialism, people have difficulty articulating their economic interests, mostly because they cannot easily locate themselves within the amorphous class structure inherited from state socialism.[27] Yet our data show that the demands pressed by protesting groups were predominantly concrete expressions of everyday economic concerns. And when they were political, their tenor was mainly reformist, with antisystemic proclamations a rarity. It turns out that regime transitions and the establishment of democracy after decades of authoritarian rule *did not create a highly politicized environment characterized by the predominance of symbolic politics*. Thus, even in the language of contention one finds evidence of broad support for democracy and the market economy.

The particular cluster of demands in each of the four countries re-

[27] See David Ost, "The Politics of Interest in Post-Communist Society," *Theory and Society* 22 (August 1993); Valerie Bunce, "Should Transitologists Be Grounded?" *Slavic Review* 54 (Spring 1995), 121.

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TABLE 7
TYPES OF DEMANDS
(NUMBER AND PERCENTAGE OF TOTAL)[a]

Category	*Poland*	*Slovakia*	*Hungary*	*GDR*
Economic	1,100	301	119	458
	57.2%	29.5%	26.0%	26.9%
Political	586	444	176	524
	30.5%	43.5%	38.5%	30.8%
Other	236	276	162	722
	12.3%	27.0%	35.5%	42.4%
N = total demands	1,922	1,021	457	1,704

[a] Due to rounding, not all percentages total 100.

flects the concerns of the dominant organizers. In Poland, where trade unions played the most active role in organizing protest, economic demands predominated, while in Hungary and Slovakia political parties organized more protests than other groups and political demands were most common. In the former East Germany political demands only slightly outnumbered economic demands. The data on types of demands are presented in Table 7. Despite the variation in protest strategies, demands, and protest-sponsoring organizations, protest actions were uniformly directed against the state and demands were addressed to state authorities. There was an evident similarity in the targets of protest actions in all countries. (Targets are understood to be the authorities to which the demands were addressed and who were expected to respond to them.) The governments, followed by parliaments and other national-level state agencies, were by far the most frequent targets of protest actions. Only in the former East Germany do we see a significant number of demands addressed to local and regional authorities due to the federal structure of the state. A surprisingly low number of demands were addressed to the management of enterprises and domestic or foreign owners. It seems that regardless of the issue at stake, protesting groups look to the state and central authorities for solutions. Table 8 presents the distribution of targets of protest in all countries.

In sum, even the cursory look at various features of protest actions presented in this section reveals considerable contrasts alongside unexpected similarities among the four postcommunist countries. Such variations in magnitude, scope, and forms of protest actions, as well as in

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TABLE 8
TARGETS OF PROTEST ACTIONS
(NUMBER AND PERCENTAGE OF TOTAL)[a]

Ultimate Targets	*Poland*	*Slovakia*	*Hungary*	*GDR*
President	92	25	20	4
	4.8%	2.5%	4.2%	.2%
Parliament	247	155	125	272
	12.8%	15.8%	26.4%	14.5%
Government/	989	449	239	654
ministries, central agencies	51.3%	45.6%	50.4%	34.8%
Local government	177	111	11	493
	9.2%	11.3%	2.3%	26.3%
Management	322	38	23	39
	16.7%	3.9%	4.9%	2.1%
Domestic and foreign owners	15	25	0	69
	.8%	2.5%	0%	3.7%
Other	87	181	56	347
	4.5%	18.4%	11.8%	18.5%
N = number of targets	1,929	984	474	1,878

[a] Due to rounding, not all percentages total 100.

types of protest organizers and groups prone to participate in collective action, raise a number of interesting questions. In order to account for such differences, we will briefly examine several possible explanatory leads suggested by the following set of theories, which are derived from the arsenal of theories of social protest.

1. *Relative deprivation* links variation in protest activities to the changing perceptions and assessments of people's (particularly economic) situation.
2. *Instrumental institutionalism* is founded on the concept of political opportunity structure, which focuses on institutional constraints and opportunities available to protesters, including those that are linked to the transformation processes taking place in the region.
3. *Historical-cultural institutionalism* emphasizes interactions between institutionalization and cultural learning and turns our attention toward historically shaped "traditions" of contentious action.
4. *Resource mobilization theory* emphasizes resources available to challenging groups.

An examination of the fit between these theories and our data should allow us to determine which factors are primarily responsible for people's protest behavior. This, in turn, should shed new light on the politics of postcommunist consolidation.

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IV. Explaining the Patterns of Protest Politics in East Central Europe

Conventional wisdom among observers of East Central European transformations initially held that building new democratic state institutions could be accomplished with relative ease. Also, the introduction of competitive elections and the formation of party systems was seen as a straightforward, uncomplicated task. The re-creation of civil society, however, was predicted to be a lengthy and difficult process, spanning a generation or two.[28] After the experiences of the early years of the transition, however, these claims are ready to be revised. During the first five years of consolidation, the rebirth and/or expansion of civil society occurred with unexpected speed and intensity in every country. The state, however, was not so much reformed as weakened. The development of political parties was often slow, tedious, and unpredictable. Moreover, these processes differed from country to country. East Germany experienced the swift establishment of a new political and legal framework as a result of the unification, and the new state administration has been stronger and more efficient than in any other postcommunist regime. Similarly, the party system crystallized and stabilized much faster, with the West German parties extending their organizational reach to the five new Länder.[29] In the other three countries the states and party systems have been in flux; relative to Poland and Slovakia, however, Hungary has been the most successful in developing a relatively stable and clearly articulated party system.[30]

The four countries included in the project represent distinct types of postcommunist transformations and have experienced contrasting political and economic developments since 1989. The major differences among them stem from the type and sequence of economic policies and from the nature and extent of the state transformation. These differences are summarized in Table 9. The first dimension represents the extent of changes experienced by the bureaucratic structures of the

[28] See Ralf Dahrendorf, *Reflection on the Revolution in Europe* (New York: Random House, 1990).

[29] In the words of Gissendanner and Wielgohs:

> The transformation of east Germany differed from the post-socialist norm because of three particular circumstances: (1) east Germany received a well-balanced and proven institutional system with unification; (2) the east German transformation was dominated by external (west German) actors who were empowered by their experience with this institutional system; (3) eastern Germans benefited from massive financial transfers which compensated for the social costs of economic reforms and which financed infrastructure investment.

See Scott Gissendanner and Jan Wielgohs, "Einheit und Differenz: The Transformation of East Germany in Comparative Perspective," *German Politics* 6 (August 1997), 181.

[30] See Kitschelt (fn. 12); and idem, "Formation of Party Cleavages in Post-communist Democracies: Theoretical Propositions," *Party Politics* 1, no. 4 (1995), 447–72.

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TABLE 9
ECONOMIC TRANSFORMATIONS AND LEVEL OF STATE CONTINUITY

	Level of Continuity	
Economic Transformations	*Continuity*	*Discontinuity*
Rapid	Poland	former GDR
Gradual	Hungary	Slovakia

postcommunist state. In all countries a classical party state was rapidly dismantled. The Communist Party was eliminated, basic state institutions were redesigned, constitutions were amended, and parliaments and governments were given supreme authority and reestablished under democratic control. The office of president, albeit with different prerogatives, was created in all four countries.

In Poland and Hungary there has been a notable continuity in the institutional organization and personnel of the state. This continuity is a result of two factors: first, in the final years of communist rule these countries introduced a number of institutional reforms compatible with the requirements of a market economy and democracy; second, both countries exited state socialism on the basis of intraelite negotiations and pacts, which assured a significant degree of continuity of state institutions. In contrast to these two countries, the former GDR and Slovakia experienced a more profound change in the state organization. In October 1990 the German Democratic Republic was unified with West Germany and the five new Länder were incorporated into the federal framework of the West German Republic. At the same time all institutions of the East German state were dismantled and replaced by institutions and laws transferred from the West. State employees were screened and purged. Slovakia became an independent state on January 1, 1993, following failed efforts to renegotiate the Czechoslovak federation. Many institutions of the Slovak Republic existing under the federal arrangement of the Czechoslovak state simply became Slovak national institutions; however, new segments of the state administration had to be organized almost from scratch. Moreover, the rapid and contentious departure from state socialism in these countries contributed to institutional discontinuity with the old regime.

The newly emerged democratic states inherited different economic legacies and pursued contrasting economic policies. East Germany and Poland implemented rapid and radical economic transformations. The Balcerowicz Plan, introduced in January 1990 in response to the dramatic deterioration of the Polish economy and the threat of hyperinfla-

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tion, imposed harsh macroeconomic stabilization measures. This adjustment program instantly reshaped Poland's economic system, arresting an escalating economic crisis and imposing new, market-friendly rules. It opened the way for comprehensive structural economic reforms combined with privatization and welfare reforms.[31] In the former East Germany the economic transformation was designed to unify economic institutions, fiscal and monetary policies, and economic conditions between two parts of the country. The change affected the entire institutional structure of the economy. Stabilization policies were combined with structural reforms, comprehensive privatization, and a thorough transformation of welfare institutions. The dismantling of all legacies of state socialism was faster and more radical than in any other postcommunist country. It included the massive and swift privatization of all economic assets previously controlled by the communist state. This immense institutional change was cushioned by an unprecedented transfer of capital, bureaucratic know-how, and assistance from the West to the East. In contrast to Poland and East Germany, Hungary and Slovakia chose a more gradual pace for economic transformations, in terms of both macroeconomic and privatization policies.

This analysis does not reveal any clear patterns: there is no correlation between the nature of power transfer, the extent of state continuity, and the type of economic reforms, on the one hand, and the magnitude of protest, on the other. However, if one puts aside Slovakia and East Germany, two countries where a significant amount of protest resulted from the dramatic redefinition of the polity, and focuses on Poland and Hungary, one may conclude that the factor which seems to explain the varied magnitude of collective protest is the *type and sequencing of economic reforms* introduced by the postcommunist regime: rapid reforms resulted in more protests than did gradual reforms. This is what the critics of the shock therapy programs have often argued. Such arguments build, although usually implicitly, on the logic of some "deprivation theory." We will demonstrate that such views cannot withstand a more systematic scrutiny.

The reasoning goes as follows: (1) rapid economic reforms produce higher social costs and more dissatisfaction among the populace than slower, more gradual reforms. In turn, (2) the heightened level of dissatisfaction with the reforms and the elites that designed and imple-

[31] See Jeffrey Sachs, *Poland's Jump to the Market Economy* (Cambridge: MIT Press, 1993); Ben Slay, *The Polish Economy: Crisis, Reform, and Transformation* (Princeton: Princeton University Press, 1994); and Kazimierz Poznanski, *Poland's Protracted Transition* (Cambridge: Cambridge University Press, 1996).

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TABLE 10
SELECTED RANKINGS OF THE CENTRAL EUROPEAN STATES[a]

	1 Protest Magnitude	*2 Cumulative Decline of GDP, 1989–93*	*3 Sachs-Warner Reform Index*	*4 Kornai: Real Wages, 1993 as % of 1989*	*5 Inequality 1993: Gini Coefficient*	*6 Rutkowski: P90/P10*	*7 Ferge: P90/P10*	*8 CSPP: Approval of Political Regime; 1993 minus 91*	*9 CSPP: Approval of Economic System; 1993 minus 91*	*10 Mason: Index of Political Alienation*	*11 Ferge: Evaluation of Change in Households*	*12 Mean Ranking 8–11*
Poland	1	3 (−12.2)	1,2,3	1 (72.0)	1 (30)	2 (2.92)	1 (6.57)	3 (+17)	3 (+19)	2	3 39% worse; (44%better)	3 (2.75)
Slovakia	2	1 (−27.4)	1,2,3	2 (73.3)	3 (19.5)	3 (2.4)	4 (2.89)	2 (+2)	1,5 (−10)	4 (Czecho-slovakia)	2 (51% worse 32% better)	2 (2.375)
GDR	3	—	—	—	—	—	3 (3.05)	—	—	3	4 (19% worse; 57% better)	4 (3.5)
Hungary	4	2 (−16.8)	1,2,3	3 (85)	2 (23)	1 (3.6)	2 (3.31)	1 (−6)	1,5 (−10)	1	1 (51% worse; 26% better)	1 (1.125)

SOURCES: Data for columns 2 and 5: *World Development Report: From Plan to Market* (New York: Oxford University Press, 1996), 69, 173; and Michael Wyzan, "Increased Inequality, Poverty Accompany Economic Transition," *Transition* 4 (October 1996), 24–27. Column 3 is based on Jeffrey Sachs and Andrew M. Warner, *Achieving Rapid Growth in the Transition Economies of Central Europe,* Development Discussion Papers, Harvard Institute for International Development, no. 544 (Cambridge: Harvard University, July 1996). Column 4: Janos Kornai, "Paying Bill for Goulash-Communism." The figure for 1990 refers only to the category of workers and employees and excludes workers in agricultural cooperatives; from 1991 on the data include these categories. Column 6: Jan Rutkowski, *Becoming Less Equal: Wage Effects of Economic Transition in Poland*, Pew Papers on Central Eastern European Reform and Regionalism (Princeton: Center of International Studies, Princeton University, 1996). Column 7: Ferge (fn. 37). Columns 8, 9, see fn. 35; column 10, see fn. 36; column 11, see fn. 37 (heads of households evaluate the regime change). For columns 8 and 9 the numbers were obtained by subtracting the percentage of the respondents who approved of the regime in winter 1993–94 (New Democracies Barometer III) from the percentage of those who approved the regime in fall 1991 (NDB-I). It should be also emphasized that Poles disapproved of the communist regime and the socialist economic system much more decisively than either the Slovaks or the Hungarians.

[a] The rankings in columns 1, 5, 6, 7, and 10 are from the highest to the lowest values of the indexes; in columns 8, 9, 11, and 12 they are from the lowest to the highest.

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mented them results in the increased protest magnitude. Finally, (3) intense protest brings about the downfall of the reforming, neoliberal elites. As we will demonstrate in the next section, the second link in this reasoning—which is at the heart of deprivation theory—is not confirmed by our empirical data. We do not intend to engage in refuting deprivation theory; its weaknesses are well established.[32] Our goal is to assess its plausibility in the context of studies on democratic consolidation.

The evidence pertaining to the first link of the reasoning sketched above is ambiguous; depending on which variables one uses, one can either refute or confirm the proposition that the deeper the economic decline (measured by "objective" indicators), the more dissatisfied the population. Between 1989 and 1993 Slovakia suffered the steepest decline in GDP: −27.4 percent. Slovaks also saw their real wages drop by 27 percent (Table 10, column 4). Hungary's decline on both counts was much less dramatic. Yet Hungarians were more dissatisfied with the post-1989 changes than were Slovaks (Table 10, columns 8–12), perhaps because postcommunist Hungarian society became less egalitarian than Slovak society (Table 10, columns 5–7).

It should be noted here that variations in protest magnitude and protest repertoire are not systematically related to the variations in the so-called objective economic indicators, as is clearly evidenced by the comparison of data reported in Table 10, columns 1–3. According to the analysis by Sachs and Warner, Poland, Hungary, and Slovakia have almost identical scores on the composite Reform Index; moreover their scores are the highest for the entire postcommunist world. Yet the patterns of protest activities in these three countries were widely divergent. Moreover, the country where the accumulative decline of GDP during the 1989–93 period was the smallest and the country that was first in overcoming the "transitory recession"—that is, Poland—experienced the highest intensifying magnitude of protest.

Protest as an Expression of Deprivation or Grievances

Let us now turn to the examination of the relationship between the level of people's discontent and the magnitude and other features of protest. As already noted, this relationship is frequently, if only implicitly, theorized with the help of some simplified version of the relative deprivation theory. It is impossible to summarize the classical variant of this theory, as proposed, for example, by Ted Gurr in his *Why Men Rebel*; it is a nonparsimonious and intricate theoretical system, founded

[32] See J. Craig Jenkins and Kurt Schock, "Global Structures and Political Processes in the Study of Domestic Political Conflict," *Annual Review of Sociology* 18 (1992).

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on the concept of "relative deprivation."[33] However, the main thrust of the argument—at least in its most popular and influential version—is simple and easily falsifiable. In general, various relative deprivation approaches assume that

> an increase in extent or intensity of grievances or deprivation and the development of ideology occur prior to the emergence of social movement phenomena. Each of these perspectives holds that discontent produced by some combination of structural conditions is a necessary if not sufficient condition to an account of the rise of any specific social movement [or protest—G.E. and J.K.] phenomenon.[34]

In this rendition of the theory, proposed by McCarthy and Zald, the concept of "deprivation" replaces "relative deprivation," which considerably changes the nature of the argument. We will follow McCarthy and Zald, mostly because we know of no comparative study of relative deprivation in the four East Central European states, whereas we found several comparative studies dealing with various aspects (indicators) of political and economic "deprivation" or "intensity of grievances."

We will test a simple hypothesis: the higher the level of discontent with the post-1989 economic and political changes or the higher the intensity of grievances or the sense of deprivation, the higher the magnitude of protest. To test this hypothesis, we rank the four countries according to the results of several comparative studies that measured various aspects of people's discontent and then compare the results of these rankings with the ranking based on the magnitude of protest.

The studies we have chosen for this exercise were conducted in at least three countries we are interested in during the 1989–93 period. The surveys asked the same set of questions in all countries, thereby producing comparable results. These studies include

1. The *New Democracies Barometer IV: A 10-Nation Survey*[35]
2. Mason's study on attitudes toward the market and the state in postcommunist Europe[36]
3. Ferge's study on the satisfaction with the post-1989 reforms[37]

[33] Relative deprivation is "a perceived discrepancy between men's value expectations and their value capabilities. Value expectations are the goods and conditions of life to which people believe they are rightfully entitled. Values capabilities are goods and conditions they think they are capable of attaining or maintaining, given the social means available to them." Gurr, *Why Men Rebel* (Princeton: Princeton University Press, 1970), 13.

[34] John D. McCarthy and Mayer N. Zald, "Resource Mobilization and Social Movements: A Partial Theory," in Zald and McCarthy, eds., *Social Movements in an Organizational Society* (New Brunswick, N.J.: Transaction, 1987), 17. See also Lichbach (fn. 4), 4.

[35] Richard Rose and Christian Haerpfer, *Change and Stability in the New Democracies Barometer: A Trend Analysis* (Glasgow: Center for the Study of Public Policy, University of Strathclyde, 1996).

[36] David Mason, "Attitudes towards the Market and the State in Postcommunist Europe" (Paper presented at the annual meeting of the American Political Science Association, Chicago, 1992), 14. The index of alienation, reported by Mason, is the mean response (for a sample of respondents from

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Table 10 presents the results of our analyses. The hypothesis is not confirmed: Hungarians are clearly most dissatisfied with the post-1989 changes, and yet the magnitude of protest there is lower than elsewhere. The contrast with Poland is particularly striking: Hungarians are more dissatisfied than Poles, yet Poland has a higher magnitude of protest. Another anomaly from the point of view of the regularity suggested by our hypothesis emerges from a comparison of Hungary with former East Germany. The situation in the latter country is dramatically different from that in other postcommunist states, given the financial transfers between the Western and Eastern areas of the country and the efforts of the German government to equalize their standards of living. As a result of this massive assistance, the economy of the five new German Länder grew between 7 and 10 percent a year between 1992 and 1994, and as Kopstein points out, "Purely in terms of living standards, East Germans are the clear winners of communism's collapse."[38] And yet East Germans engage in protest activities with a higher frequency and more zeal than Hungarians, who are far less satisfied with the results of the collapse of communism.

A comparison of the pattern of changes during the studied period produces mixed results. As Figure 2 illustrates, the Slovak and Hungarian data conform to the predictions of the deprivation theory: the fluctuations of protest magnitude in these countries follow the pattern of the fluctuations in people's approval of economic and political systems. However, the theory fails dismally for Poland. As people's approval of the political and economic systems increases systematically, so does the magnitude of protest!

Given the data reported in Table 10, it is possible to falsify the deprivation hypothesis in many different ways. For example, given the data in column 4 (Kornai's estimates of the real wages decline), this hypothesis would predict that Poland and Slovakia should have a *similar* magnitude of *strikes,* one that would be higher than in Hungary, whose wage earners experienced a much smaller decline in their incomes. Also, Polish and Slovak protestors should issue economic demands (for

each country) on four five-point scaled questions. Hungary's index was the highest in the whole sample: 3.61. Poland's was the fourth highest (3.27); East Germany's, ninth (2.94); Czechoslovakia's, tenth (2.91). The study was conducted in the spring and summer of 1991.

[37] Zsusa Ferge, "The Evaluation of Freedom, Security, and Regime Change" (Paper prepared for the Euroconference on Social Policy, organized by ICCR-Vienna, Lisbon, November 8–11, 1995). Ferge presents results of the Social Consequences of the Transformation Survey administered in 1994.

[38] Jeffrey Kopstein, "Weak Foundations under East German Reconstruction," *Transition* 26 (January 1996), 64. Cumulative transfer of funds into the former East Germany reached $494,039,000 by 1995, while Hungary received $10,634,000 of foreign investment, Poland $6,459,000, and Slovakia $483,000.

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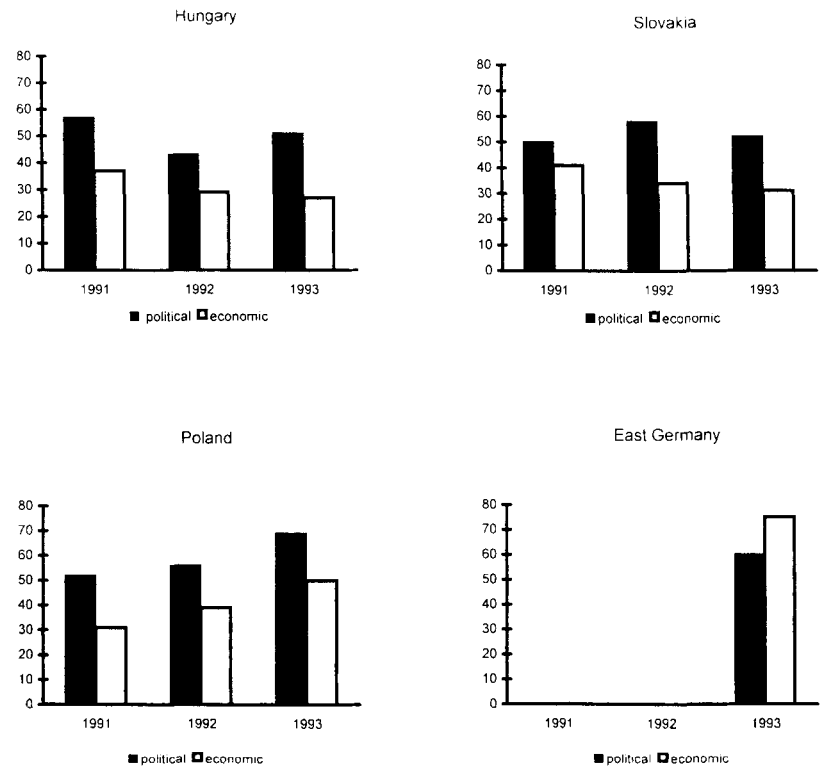

FIGURE 2
APPROVAL OF POLITICAL AND ECONOMIC REGIME, BY COUNTRY

SOURCE: Rose and Haerpfer (fn. 35), 25, 47.

higher wages) with greater frequency than their Hungarian counterparts do. The first expectation is not confirmed by the data presented in Tables 2 and 4: Poles organized *far more* strikes than either Hungarians or Slovaks. The second expectation fails in light of data presented in Table 7: Poles concentrated their demands on economic issues *far more* often than did the Hungarians—as expected—but also more often than the Slovaks.

One could of course argue that Poles, on the one hand, and Hungarians and Slovaks, on the other, expressed their economic deprivation through different idioms and organizational strategies. But this is precisely the kind of argument that the deprivation approach is ill equipped to field. Changes in various measures of protest—magnitude,

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strategies, mobilizational efficacy, success, and so on—*do not reflect* the fluctuations in people's sense of deprivation (dissatisfaction).

In light of our empirical evidence, the reasoning behind a popular thesis attributing the downfall of the neoliberal elites to protests by increasingly dissatisfied populations is faulty on two counts. First, for an average year of the period under study, Poland had a higher magnitude of protest than Slovakia and Hungary, although its economy performed better than the economies of the other two countries and although *Poles were far more satisfied* than were Slovaks and Hungarians with the results of the postcommunist economic reforms.[39] Second, as the performance of the Polish economy improved and Poles' satisfaction with the reforms increased, *so did* the magnitude of protest. Clearly, the deprivation theory does not explain fluctuating magnitudes and patterns of protest in the four countries. One must therefore turn elsewhere for an explanation. We hypothesize that the many differences in the magnitude and characteristics of protest actions in the four countries under study are related *both* to the post-1989 processes of the reconstitution and institutionalization of democratic politics and to the institutional legacies of state socialism.

Instrumental Institutionalism

If the institutional structure of the state is a critical variable in explaining the incidence and magnitude of collective protest,[40] transitory polities where all stable characteristics of the political opportunity structure are in flux should have been an arena of constant collective struggles. Since they are not and since the magnitude of protest varies from state to state, the concept of political opportunity structure has to be carefully reconsidered in order to apply it to cases of regime change.

We argue that there is a need to distinguish between the *structure of political opportunity* (characteristic for stable polities) and *unstructured opportunity* (a feature of transitory, "open" polities).[41] A change in some

[39] Only in 1990 and 1989 did the Polish economy have a lower GDP growth rate than the Hungarian and Slovak economies, and it was only minimally lower. Moreover, its economy began growing already in 1992, while the other two economies kept declining (negative growth rates) throughout the entire period under study. See Jan Svejnar, "Economic Transformation in Central and East Europe: The Task Still Ahead" (Paper presented at the meeting of the Per Jacobsson Foundation, Washington, D.C., October 8, 1995); and *World Development Report: From Plan to Market* (New York; Oxford University Press, 1996), 173.

[40] See, for example, Hanspeter Kriesi, "The Political Opportunity Structure of New Social Movements: Its Impact on Their Mobilization," in J. Craig Jenkins and Bert Klandermans, eds., *The Politics of Social Protest: Comparative Perspectives on States and Social Movements* (Minneapolis: University of Minnesota Press, 1995).

[41] The most salient changes in opportunity structure are four: the opening up of access to participation, shifts in ruling alignments, the availability of influential allies, and cleavages within and among elites"; Sidney Tarrow, *Power in Movement* (Cambridge: Cambridge University Press, 1994), 86.

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dimensions of the opportunity structure in stable countries will be immediately treated as an *incentive* to act by all those collective actors who have been prepared to press their claims against the state. When the "initiator" groups or organizations are successful in pressing their demands, others may follow, expanding the range of issues and institutional arenas of contentious politics.[42] Thus one could argue that in stable but gradually changing polities, alterations of the political opportunity structures provide *incentives* for contentious action.

By contrast, in countries undergoing rapid political and economic transition, the four elements of the political opportunity structure specified by Tarrow are in flux. Opportunities for collective action are wide open and constraints are uncertain. Such a situation may either have demobilizing effects or simply encourage mobilization without limits. For organized collective actors, issues that were important in the past may no longer be relevant and new issue-areas may be unclear or not yet established. Moreover, agendas for contentious politics in more stable polities are built on the assumption that it is relatively clear who is friend and who is foe and who bears responsibility for specific policies and problems. The distinction between them and us serves as a guidepost for the struggle. But in transitory polities this underlying cultural matrix of allies and foes takes on an ambiguous character: former oppositional activists take over the state apparatus and it is no longer clear who is us and who is them.

Such conditions, which we will call *unstructured opportunity*, offer protesters considerable freedom of action: there are few established organizational boundaries that should be abolished; there are no predefined agendas whose expansion may be demanded; ruling alignments change often; there are potentially many available allies; and cleavages within and among elites are fluid and poorly identified. The state manages to maintain order within the public domain, but it offers little resistance to nonviolent protest actions and it seems to ignore protesters. Additionally, state functionaries do not know how to deal with protesters, as formal and informal procedures through which protesters are either marginalized or included in the policy-making processes are poorly developed.[43] It is therefore difficult to analyze changing features of protest as responses to changing opportunities: opportunities, defined as general characteristics of the political system, simply do not change much.

[42] See debates on cycles of protest and especially Doug McAdam, "'Initiator' and 'Spin-off' Movements: Diffusion Processes in Protest Cycles," in Mark Traugott (fn. 25).

[43] For an analysis of the significance of such mechanisms, see Kriesi (fn. 40), 173–79.

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In East Central Europe, where such an unchanging and poorly structured opportunity emerged after 1989, the magnitude of protest *is by and large lower than in more established democracies*. We suspect that this is a result of the demobilizing effect of the opportunity structure's "excessive" openness[44] and the weakness of institutional support structures for protest activities (including the availability of organizational, material, and symbolic resources), in comparison with West European democracies.

At the same time, the protest magnitude in all countries fluctuated although the openness of the system (its political opportunity structure) did not. And protest strategies and demands also varied from country to country, although their political systems seem to have been equally open. Since neither deprivation theory nor the macrolevel opportunity structure theory explains this variation, we need to specify other mechanisms. We observe that despite the lack of openings in the political opportunity structure (in Tarrow's sense), collective action is patterned by several old and new institutional constraints. The situation is fluid and unstructured; that is, protesters' demands and strategies cannot be carefully crafted as responses to partial openings here or there in the preestablished institutional network of the polity (as in Western democracies). Such a network simply does not exist. But *singular institutional points of reference* do exist: they can be found among the institutionalized legacies of past conflicts and among the emerging institutions of the new political domain. Both these legacies and the emerging institutions offer *concrete incentives* for collective actions.

This new, unstructured political opportunity can be examined with the use of the available institutional modes of analysis. For example, we realized that the relatively high magnitude of protest in Poland can be explained through a *comparative study* of distinct, though mutually reinforcing, institutional mechanisms suggested by the two institutional theories listed in Section III, cultural-historical and instrumental, as well as by the resource mobilization theory. Since we have more variables (and their values) than cases, we cannot conduct a rigorous test that would allow us to pinpoint the best explanation. We can, however, determine whether the patterns existing in our data conform to the expectations suggested by major institutional arguments.

In the field of protest studies there are two major arguments concerning the link between protest magnitude and characteristics and other institutional features of the political system:

[44] This constitutes a corroboration of Eisinger's thesis, which posits that protest is most likely "in systems characterized by a mix of open and closed factors." See Tarrow (fn. 41), 86.

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—Protesting can be construed as a rational, calculated response to the lack of access to policy-making through other channels (for example, the lack of corporatist inclusion). The more restricted the access to other channels, the higher the probability of protest.

—Protesting can best be seen as a useful strategy in interorganizational competition. When there are several competing unions (or union federations), for example, they tend to engage in protest in order to demonstrate their credentials as champions of the working people and to outbid each other in wooing potential supporters.[45] Thus, the more fragmented and politically divided the labor movement, the higher the probability of protest.

Following the logic of the first explanation, we expect fewer strikes and labor-related demonstrations in states that institutionalized the interaction between labor unions, employers, and the relevant state agencies. As Schmitter, Nollert, and Wallace and Jenkins noted, the institutionalization of neocorporatist bargaining diminishes the likelihood of protest.[46] Countries with a strong social democratic party (Hungary) and a centralized labor sector (Hungary, former East Germany, Slovakia) are expected to have fewer industrial conflicts and strikes than would a more pluralistic country with several unions that do not have "direct" access to the political process (Poland).[47]

These expected regularities are indeed confirmed by our data. One of the most prominent features of Hungarian, Slovak, and East German transitory politics was the early institution of top-level corporatist arrangements. Hungary established the Council for Interest Reconciliation already in 1988, Slovakia's Council of Economic and Social Agreement was established in 1990, and in Germany neocorporatist institutions expanded to the new Länder in 1990, during the early stages of unification.[48] And as expected, Poland, where a tripartite mechanism was only established in February 1994, had by far the high-

[45] This explanation draws on the logic of historical institutionalism, as defined by Hall and Taylor. Historical institutionalists, while searching for explanations of group conflict, began paying "greater attention to the way in which institutions structure political interactions" and "began to argue that other [than state] social and political institutions could also contribute to political outcomes by structuring conflict among individuals or groups over scarce resources." Peter A. Hall and Rosemary C. R. Taylor, "Political Science and the Three New Institutionalisms," *Political Studies* 44, no. 3 (1996).

[46] Philippe C. Schmitter, "Interest Intermediation and Regime Governability in Contemporary Western Europe and North America," in Suzanne Berger, ed., *Organizing Interests in Western Europe* (Cambridge: Cambridge University Press, 1981), 287; Michael Nollert, "Neocorporatism and Political Protest in the Western Democracies: A Cross-National Analysis," in Jenkins and Klandermans (fn. 40). Michael Wallace and J. Craig Jenkins, "The New Class, Postindustrialism, and Neocorporatism: Three Images of Social Protest in Western Democracies," in Jenkins and Klandermans (fn. 40).

[47] Wallace and Jenkins (fn. 46), 134.

[48] See Lajos Hethy, "Tripartism in Eastern Europe," in Richard Hyman and Anthony Ferner, eds., *New Frontiers in European Industrial Relations* (Oxford: Basil Blackwell, 1994); John Thirkell, Richard Scase, and Sarah Vickerstaff, *Labor Relations and Political Change in Eastern Europe* (Ithaca, N.Y.: Cornell University Press, 1995); Helmut Wiesenthal, "Representation of Functional Interests in West and

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est incidence and magnitude of strikes, organized predominantly by trade unions.

The second institutional explanation, emphasizing interunion competition, is also confirmed by our data. The Polish trade union sector was much more diversified, politically divided, and decentralized than its Hungarian, Slovak, and German counterparts. As expected, Poland had the higher magnitude of strikes, which often set outcompeting with rival trade unions as one of their goals. Thus, instrumental institutionalism gives a greater understanding of protest magnitude (pluralist polities with competing organizations will have more protest) and specifies the major groups likely to engage in protest activities; it is particularly helpful in explaining the variation in protest organizers.

Historical-Cultural Institutional Explanation

Strong evidence points to traditions and previous experiences of protest as a good indicator of future protest actions. Collective action is predicated here on learning experience as well as the availability of resources inherited from previous struggles. The comparison of our countries clearly shows that the high magnitude of protest in Poland can be linked to the existing tradition of protest. Poland was the only country in the former Soviet bloc that experienced five major political crises that culminated in the "self-limiting revolution" of 1980–81. During the Solidarity period millions of Poles participated in collective protests and learned the skills of contentious politics. This argument is additionally supported by the fact that Solidarity had earlier on developed the most common forms of protest (strikes) as its core strategy of contention.

Hungary, by contrast, has a well-established tradition of street demonstrations and struggles (1956 in particular), which played a significant role during the power transfer of 1988–90.[49] The unions and other protest organizers in former East Germany should be influenced by the dominant action repertoire brought over by West German unions and other social movement organizations, which organize most of the protest actions there. As Koopmans and Kriesi report, demonstrative strategy dominated the German protest repertoire.[50] Moreover,

East European Democracies: Theoretical Coordinates and Empirical Assessment" (Berlin: Max-Planck-Gesellschaft, Humboldt Universität, 1995).

[49] See Tamas Hofer, *The Demonstration of March 15, 1989, in Budapest: A Struggle for Public Memory*, Program on Central and Eastern Europe Working Paper Series, no. 16 (Cambridge: Center for European Studies, Harvard University, 1991).

[50] Ruud Koopmans and Hanspeter Kriesi, "Institutional Structures and Prevailing Strategies," in Kriesi et al. (fn. 26), 50.

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the 1989 oppositional movement in East Germany relied heavily on street demonstrations as its main protest strategy. Finally, in Slovakia, protest traditions are almost nonexistent, though it should be noted that Czechoslovak dissidents employed letter writing as their main form of protest. Given these historical traditions in the four countries, Poland should have the highest magnitude of protest. The Polish ratio of street demonstrations to strikes should be *considerably lower* than in Hungary or Germany; Slovakia should experience few strikes or demonstrations.

The empirical data used to verify these hypotheses are summarized in Table 2. The hypotheses are strongly confirmed. Poland has the highest magnitude of protest. Hungarian protesters participated in street demonstrations four times more often than they went on strike; German protesters demonstrated six times more often than they went on strike. Poland had the highest magnitude of strikes, and Poles were almost equally prone to strike as to demonstrate. This is an *expected result* given Poland's relatively long tradition of political conflicts disguised as industrial conflicts. In Slovakia letter writing was the most frequently used protest strategy (see Table 4).

In summary, historical-cultural institutionalism contributes to the explanation of the overall magnitude of protest; it is however most useful in explaining the variation in protest repertoires among countries.

Resource Mobilization Theory

Both institutional arguments (instrumental and historical-cultural) specify factors that are the key determinants of variation among the four countries in (1) protest organizers and participants and (2) repertoires of contention (for example, various *ratios* of strikes to demonstrations). They do not provide a complete explanation of the observed variation in protest magnitude, however. For example, the magnitude of protest was unexpectedly high in the five Länder of the former East Germany, but one would be hard pressed to argue that East Germans inherited a long-standing and elaborate domestic tradition of protest, particularly *street demonstrations*.[51] Additionally, East Germany shared with Hungary a similar institutional framework; both had tripartite commissions and a relatively unified trade-union sector. Yet Hungary had a much lower magnitude of protest.

To explain this variation in protest magnitude, we turn to the resource mobilization approach, which suggests that number, size, and

[51] However, a very recent tradition of demonstrations developed in some locations. See, for example, Susanne Lohmann, "Dynamics of Informational Cascades: The Monday Demonstrations in Leipzig, East Germany, 1989–91," *World Politics* 47 (October 1994).

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duration of protest events depend on the availability of material and organizational resources to the challenging groups. Accordingly, countries where protest organizers have easier access to resources will have higher levels of contention. Such resources may be developed internally within a given society (Polish Solidarity) or may be transferred from resource-rich to resource-poor countries and regions (as in the case of GDR). While international links and diffusion are relatively common, it is rare to find wholesale transfers of organizational structures, activists, and resources—as occurred after the reunification of Germany. One can argue therefore that the high magnitude of collective protest in East Germany reflects the external transfer of resources for collective action. Poland, another resource-rich country, also had a high level of protest. In Hungary, with a relatively low supply of protest-facilitating resources, the magnitude of protest was the lowest. Slovakia constitutes an anomaly: limited resources, an early-established tripartite council, and minimal intraunion competition coexisted with a relatively high magnitude of protest per capita. It needs to be emphasized, however, that the Slovak repertoire of protest was the least disruptive and bothersome for the authorities; it was dominated by such strategies as open letters and public statements. The nondisruptive character of these protests can be explained at least partly by the lack of material, organizational, and symbolic resources.

Protest and Democratic Consolidation

Perhaps the most important challenge facing the architects of post-communist transformations comes from the tensions generated by the necessity of implementing political (democratization) and economic (marketization) reforms simultaneously. In particular, it has often been argued that the high short-term social costs of neoliberal reforms will anger the public, which will utilize the newly acquired freedoms and newly established democratic procedures to block economic transformations and depose the reforming elites. Moreover, the logic of collective action advanced by Mancur Olson and his followers suggests that the losers should be much easier to mobilize than the beneficiaries of the reforms; the latter are scattered throughout the society while the former are concentrated in such easily mobilizable sectors as large enterprises of heavy industry.[52] In fact, as various analyses of Latin American cases amply demonstrate, the public reaction to neoliberal

[52] See, for example, D. Michael Shafer, *Winners and Losers: How Sectors Shape the Developmental Prospects of States* (Ithaca, N.Y.: Cornell University Press, 1994), 39–42.

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reforms, particularly in the "losing" sectors, is likely to take the form of mass protest, which may turn violent and exact casualties.[53]

In turn, protest is often deemed to be detrimental to democratic consolidation.[54] For example, Bresser Pereira, Maravall, and Przeworski conclude that for the successful consolidation of democracy "all groups must channel their demands through the democratic institutions and abjure other tactics."[55] The database on protest in the four Central European countries allows us to test this reasoning.

First, we found out that in contrast to Latin America, the four Central European countries we studied experienced no massive and violent rebellions against the economic reforms, despite the deep economic recession, rapidly growing unemployment, and declining standards of living during the initial stages of the reform process. Also, despite the political turbulence and expanding opportunities for collective action, the magnitude of protest in Central Europe was lower than in the established democracies of Western Europe. Throughout the period under study these countries did not experience escalating protest activity that would constitute a significant threat to their newly established political institutions. While the employees of "losing" industries or sectors were often at the forefront of protest activities, as the Olsonian argument would predict, their organizations and leaders rarely challenged the legitimacy of the new sociopolitical order or the necessity of economic restructuring.[56] Thus, we conclude that in East Central Europe protest became one of the routine modes of interaction between the state and the society, a regular feature of many democratic regimes at the end of the twentieth century.

Hence our second major conclusion: protest need not be a threat to a budding democracy. In fact, under certain conditions it may facilitate democratic consolidation. This happens when

[53] See John Walton, "Debt, Protest and the State in Latin America," in Susan Eckstein, ed., *Power and Popular Protest in Latin American Social Movements* (Berkeley: University of California Press, 1991); J. Walton and Charles Ragin, "Global and National Sources of Political Protest: Third World Responses to the Debt Crisis," *American Sociological Review* 55 (December 1990); and Bela Greskovits, *The Political Economy of Protest and Patience: East European and Latin American Transformations Compared* (Budapest: Central European University Press, 1998).

[54] See, for example, J. Samuel Valenzuela, "Democratic Consolidation in Post-Transitional Settings: Notion, Process, and Facilitating Conditions," in Scott Mainwaring, Guillermo O'Donnell, and J. Samuel Valenzuela, eds., *Issues in Democratic Consolidation: The New South American Democracies in Comparative Perspective* (Notre Dame, Ind.: University of Notre Dame Press, 1982), 85; and Ron Pagnucco, "Social Movement Dynamics during Democratic Transition and Consolidation: A Synthesis of Political Process and Political Interactionist Theories," *Research of Democracy and Society*, JAI Press, 3 (1996), 21.

[55] Bresser Pereira, Maravall, and Przeworski (fn. 13), 4.

[56] For another critique of the Olsonian argument, see Joel S. Hellman, "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions," *World Politics* 50 (January 1998).

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—protest is employed as a means of bringing forward demands for reforms and not challenging the legitimacy of the regime

—its methods are recognized as legitimate by a large sector of the populace

—it is channeled through well-known strategies and coordinated by established organizations.[57]

Our research shows that these are the predominant characteristics of protest in the postcommunist countries of Central Europe.

The Polish case illustrates this best. What transpired there during the early postcommunist years was a different kind of institutionalization or consolidation of democracy from the one Bresser Pereira, Maravall, and Przeworski had in mind. Increasingly institutionalized protest became a "democratic institution," which functioned as part and parcel of the democratizing polity.[58] Although Poles were often dissatisfied with the existing conventional channels of interest articulation (such as parties and the Parliament) and therefore turned to protest as a way of signaling their concerns and influencing policy decisions, they were nonetheless increasingly satisfied with democracy itself.

Our research confirms that the way people's grievances are translated into political action is determined by the institutional context within which collective actors (and, most importantly, their leaders) find themselves. Under certain circumstances, activists will choose protest as the preferred strategy. For example, in a country like Poland with a developed tradition of striking, the lack of inclusionary neocorporatist institutions, a divided and competitive labor sector, and the ready availability of protest-facilitating resources, the magnitude of protest should be (and was) high. This means that in some postcommunist countries, democratic consolidation may take a specific direction: a democracy with a heightened level of contentious politics may emerge.

In more general terms, the patterns we detect in our data suggest that there is no correlation between the magnitude or type of protest and the quality of democratic consolidation. Among the four Central European countries we studied, Poland had the highest magnitude of protest, Hungary the lowest. Slovakia and former East Germany were in the middle. At the same time, for most observers, the progress of democratic consolidation in Hungary, Poland, and the former East

[57] Eckstein and Gurr observe that "the risk of chronic low-level conflict is one of the prices democrats should expect to pay for freedom from regimentation by the state—or by authorities in other social units, whether industrial establishments, trade unions, schools, universities, or families." Harry Eckstein and Ted Robert Gurr, *Patterns of Authority: A Structural Basis for Political Inquiry* (New York: John Wiley and Sons, 1975), 452.

[58] This argument is developed in Jan Kubik, "Institutionalization of Protest during Democratic Consolidation in Central Europe," in David S. Meyer and Sidney Tarrow, eds., *The Social Movement Society: Contentious Politics for a New Century* (Lanham, Md.: Rowman and Littlefield, 1998).

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Germany passed the point of no return; an authoritarian reversal in these states is unlikely. By contrast, Slovakia, the country with the least disruptive repertoire of protest and a low level of strike activity, is believed to be the least consolidated democracy of the four.[59]

VI. Summary of Conclusions

In the first section of this paper we established a need to study the bottom-up mechanisms of democratic consolidation and we proposed, further, that this largely neglected area can be fruitfully studied through *event analysis* of protest behavior. The second and third sections presented selected results from our four-country study of the postcommunist protest politics. The fourth section offered explanations of the observed phenomena derived from the four established research traditions. This exercise leads us to a number of general conclusions.

First, modes of breakdown of communist regimes had no noticeable impact on the magnitude of protest. Thus, countries that experienced "pacted transitions" (Poland and Hungary) have as much variation between themselves as do countries where "popular upsurge" forced the removal of the communist elites from power (Slovakia and the former GDR).

Second, variations in the magnitude, repertoires, and strategies of protest politics cannot be explained by reference to a configuration of "objective" economic (or political) factors. Balcerowicz is right to argue that "the scale of protests must have been determined mainly by factors other than the type of economic strategy."[60]

Third, neither can these variations be explained by invoking people's perceptions and assessments of their situation, as the "deprivation" approach suggests: the states with more discontent do not necessarily have more protest activities than the states with less discontent. Therefore, all analyses of the post-1989 reforms in East Central Europe that explain political changes (for example, electoral successes of the postcommunist parties) by simply relating them to people's growing discontent may be erroneous. For example, it has been suggested that Poland, which instituted the most radical economic reforms (shock therapy), would also experience the highest magnitude of protest. This expectation is indeed confirmed by our analyses. Yet the *causes* of such

[59] According to the Freedom House Survey, for 1992–93 Hungary, Poland, and Slovakia were on the same level in terms of "political rights" and "civil liberties": all scored 2 in both categories. In 1993–94 there was a serious disparity: while both Poland and Hungary scored 1 in "political rights" and 2 in "civil liberties," Slovakia scored 3 and 4, respectively. See *Freedom House* (fn. 1).

[60] Leszek Balcerowicz, *Wolnosc I rozwoj* (Kraków: Znak, 1995), 372.

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high magnitude and the *specific features* of protest in Poland cannot be explained by linking them to a general sense of deprivation felt by the populace, as is usually, though often implicitly, practiced. As we demonstrated, the magnitude of protest in Poland kept increasing even as popular approval of the postcommunist economic and political order also grew. Our comparative analysis of four cases confirmed a thesis commonly accepted by the students of protest politics, that protest activities are driven by much subtler mechanisms, summarized in our next conclusion.

Fourth, no single theory of collective action explains all of the observed variation in protest characteristics we discovered. The best fit between theory and empirical results is achieved when propositions derived from several theories are combined. Our argument is that collective protest in new democracies is best explained from an institutional perspective that *combines* the concept of *resources* in a broad sense—that is, including traditions, symbols, and discourses alongside material and organizational elements—with the concept of *institutional opportunities*, which are produced by emerging organizational patterns of the new polity. The resource segment of such a syncretic explanation helps to account for the variance in protest magnitude. The institutional component also contributes to the explanation of protest magnitude, but it is particularly useful in explaining other features of protest. More specifically, historical-cultural institutionalism helps to account for the differences in protest repertoires, while instrumental institutionalism is particularly suitable for explaining variation in magnitudes and organizers.

And finally, protest does not necessarily constitute a threat to democratic consolidation; indeed, under certain conditions it facilitates this process. There exists therefore a type of democratic consolidation with a heightened level of contentious collective action. The best example is Poland during the first five years of its consolidation. Slovakia, by contrast, had less protest—and protest of a type much more benign than in the other three countries—and yet five years after the collapse of state socialism its democracy was weaker than in Poland.

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GRAND STRATEGY AND FOREIGN ECONOMIC POLICY
British Grand Strategy in the 1930s

By LARS S. SKÅLNES*

FOREIGN economic policies represent more than simply an attempt to maximize economic welfare. By pursuing policies that discriminate in favor of military allies, policymakers seek to strengthen alliance relations and deter third-party attacks. Discriminatory policies are thus important grand strategic instruments. Several scholars, most recently and prominently Joanne Gowa[1] and Edward Mansfield,[2] have argued that alliance concerns and strategic considerations more broadly influence foreign economic relations. Whereas this argument is generally correct, it does not pay sufficient attention to the considerable variation in the degree to which policymakers turn to economic instruments in their attempts to manage relations with their allies. Policymakers sometimes seek to cement military alliances by strengthening economic relations between the allies, and sometimes they allow military and economic relations to develop independently of each other. This article seeks to explain why.

I argue that variation in the need for military and political support from military allies affects the degree to which foreign economic poli-

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[1] Joanne Gowa, *Allies, Adversaries, and International Trade* (Princeton: Princeton University Press, 1994).

[2] Edward D. Mansfield, *Power, Trade, and War* (Princeton: Princeton University Press, 1994).

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cies will discriminate in favor of military allies and against adversaries and other countries. Powers in need of such support will pursue discriminatory foreign economic policies to strengthen domestic support for the alliance in the beneficiary country, thus making it more difficult for beneficiary officials to renege on their alliance commitments. Tighter alliance relations in turn improve the deterrent effect of alliances. Powers that can go it alone without support from allies will refrain from discriminating in favor of other countries. Shifts in strategic need make it possible to explain variation in the links between security considerations and foreign economic policies within alliances over time and also across alliances. I apply this argument to a historical analysis of some aspects of British grand strategy in the 1930s.

The article is divided into four main parts. The first section argues that discriminatory foreign economic policies are integral to the grand strategies that great powers develop.[3] In the second section, this argument is contrasted with Joanne Gowa's attempt to explain such discrimination by focusing on the security externalities of trade.[4] Section Three is a study of British grand strategy in the 1930s, focusing on Britain's political and economic relations with the United States, France, and Germany. These cases allow me to hold constant systemic polarity, variation in which Gowa has linked to variation in the degree to which free trade will characterize economic relations between allies. The concluding section briefly discusses some implications for how one might think about the link between economic interdependence and strategy.

Grand Strategy and Alliance Politics

A great power enters alliances with other powers to increase its national security. The specific role that an alliance is meant to play, however, varies widely from case to case as a function of variation in a great power's grand strategic assessment of a particular geopolitical situation. Changes in this assessment generate changes in strategic needs, which in turn result in changes in military strategy and war plans. Military strategy and war plans can therefore be used as indicators of policy-

[3] As in much of the literature on grand strategy, my article focuses on great powers. See Paul M. Kennedy, "Grand Strategy in War and Peace: Toward a Broader Definition," in Kennedy, ed., *Grand Strategies in War and* Peace (New Haven: Yale University Press), 6, 186 n. 18. My article adopts Barry Posen's definition of grand strategy as a "means-end chain," embodying "a state's theory about how it can best 'cause' security for itself." Posen, *The Sources of Military Doctrine: France, Britain, and Germany between the World Wars* (Ithaca, N.Y.: Cornell University Press, 1984), 13.

[4] Gowa (fn. 1).

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makers' perceptions of strategic needs, perceptions that cannot be observed directly. Military strategy and war plans specify responses to strategic requirements—in particular how states can best survive military hostilities—including whether or not support from allies is needed should the power find itself at war. Strategy and war plans also detail the role, if any, that allies can play in military conflicts. Thus, strategic need, as reflected by military strategy and war plans, affects both the decision of a great power to enter an alliance and subsequently the quality of the alliance ties. The degree of alliance cohesion in turn affects the probable success of the alliance in deterring enemy attacks.

States may enter alliances to aggregate capabilities. Great powers enter alliances because they have determined a need for military support, a determination that derives from several separate assessments. First, the determination reflects an acknowledgment that the ally can provide military assistance, access to resources, or other strategic advantages that would significantly increase the state's chances of prevailing in a war. Second, it reflects a high degree of conflict with adversaries. Finally, it accepts that the fewer other alignment options a great power has, the greater will be its need for any one ally. The determination of need, moreover, implies that it is vital not only to receive military support but also to extend it to an ally, since if an ally is conquered, a state's own security is jeopardized.[5]

As Paul Schroeder has pointed out, however, states may also conclude an alliance to manage conflicts with alliance partners.[6] A management alliance is designed mainly to increase a state's influence over an ally's policies and so avoid conflict with the ally. In such a case, an alliance treaty reflects security interests that are as contradictory as they are overlapping, and the treaty thus often papers over an adversarial relationship.[7] While a state's security may be linked to its preservation of the alliance, a management alliance is not designed to increase the state's capability. Instead, such an alliance reflects the ability of the state to take on an enemy without the support of the alliance partner.

States, in short, have different motives for concluding alliances. Moreover, the strategic assessments that underlie a power's decision to enter an alliance may change over time. Parties to an alliance, therefore, may differ in how reliable they are in fulfilling its terms, creating un-

[5] Glenn H. Snyder, "The Security Dilemma in Alliance Politics," *World Politics* 36 (July 1984), 472.

[6] Paul W. Schroeder, "Alliances, 1815–1945: Weapons of Power and Tools of Management," in Klaus Knorr, ed., *Historical Dimensions of National Security Problems* (Lawrence: University Press of Kansas, 1976).

[7] Some examples are the Austro-Italian alliance from 1882 to 1914 and the alliance between Germany and Russia in the 1880s. See ibid., 243.

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certainty about each other's present and future intentions. As a result, alliance cohesion and the ability to deter attack may suffer, or an alliance may even be prevented from being formed at all. Such uncertainty is a particular problem for those powers that rely on alliances to aggregate their capabilities, that is, for powers in need of the support of that ally. If a great power is heavily dependent on an alliance's strength, it has to take seriously the possibility of the ally's defection; such countries have incentives to try to increase the reliability of their allies.[8]

The next section argues that discriminatory foreign economic policies give great powers an important strategic instrument with which they can attempt to strengthen an ally's reliability and commitment and thus enhance deterrence. Discriminatory policies may sometimes either follow or precede the establishment of formal alliance ties. In either case, however, the policies are an integral part of a larger strategic calculus and result from the need to aggregate capabilities and the consequent desire either to strengthen an already existing alliance or to prepare for the conclusion of one.

Foreign Economic Policy as a Strategic Tool: Tying the Ally's Hands and Deterring Attack

I assume that government policymakers, on the one hand, and private economic interest groups, on the other, are motivated by different calculi. Policymakers formulate grand strategies, whose main purpose is to maximize national security. Economic interest groups, in contrast, seek to influence policy-making to maximize their own economic welfare. That is, insofar as political and military relations with other countries affect their economic interests, these groups have something at stake in shaping the relations. The more their welfare depends on economic ties with a foreign country, for instance, the greater their interest should be in closer political and military links with that country. Policymakers and interest groups may disagree, however, about whether trying to strengthen political and military relations with other states is desirable precisely because of their divergent motivations.

A state's adoption of foreign economic policies that discriminate in favor of an ally may shift the existing patterns of trade, of foreign investment, and of foreign aid to increase trade with and investment flows to the ally. Whether government officials will be able to adopt such policies will depend in part both on domestic institutional and po-

[8] They may also have incentives to communicate their own trustworthiness. I deal with this possibility in *Politics, Markets, and Grand Strategy: Foreign Economic Policies as Grand Strategic Instruments* (forthcoming). I focus in this article on attempts to increase the reliability of allies.

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litical constraints and on the nature of international agreements regulating international economic exchange. Because discriminatory policies may change the patterns of trade and investment, the distribution of costs and benefits associated with foreign trade and investment may also change. Domestic economic groups who expect to be worse off as a result of the adoption of these policies may succeed in preventing their adoption. Whether policymakers can overcome domestic opposition is a function of their ability to insulate themselves from interest-group pressures.

Even if government officials manage to overcome the political and institutional barriers and implement discriminatory policies, market conditions may limit the extent to which these policies will succeed in altering the patterns of trade and investment in favor of allies. Elasticities of import demand and export supply and the ease with which imports from beneficiaries can be substituted for those from nonbeneficiaries will determine how much trade will be created between the allies and diverted from the rest of the world.[9] If we assume that export supply curves are not perfectly elastic,[10] discrimination will improve the terms of trade for the beneficiary country with respect to both the donor country and the rest of the world. For the donor country, the effect on the terms of trade with respect to the rest of the world is indeterminate: the terms of trade may either improve or worsen.[11]

In altering the terms of trade, discriminatory foreign economic policies also alter the incentives facing private domestic actors in both the beneficiary and the donor country. For exporters in the beneficiary country, trade preferences generally will enable them to increase their exports and thus their profits. The preferences thus affect the exporters' economic calculus, providing them with an incentive to maintain the preferential access to the donor's markets.[12] The closer the exporters as-

[9] Robert A. Mundell, "Tariff Preferences and the Terms of Trade," *Manchester School of Economic and Social Studies* 32 (January 1964), 9–10; and Richard Pomfret, *Unequal Trade: The Economics of Discriminatory International Trade Policies* (New York: Basil Blackwell, 1988), 121–22, 136, 159–60. Pomfret points out that in cases in which the beneficiary's export supply is perfectly inelastic, for instance, trade will not increase between donor and beneficiary (p. 150).

[10] The more inelastic the foreign-export supply curve is, the more a tariff will improve the terms of trade. When the foreign-export supply curve is perfectly elastic, the tariff-imposing country cannot affect the terms of trade but only the volume of its trade with the rest of the world.

[11] When preferential tariffs are mutual, some sets of tariff reductions will improve the terms of trade of both parties with respect to the rest of the world. For example, both parties improve their terms of trade when tariffs are reduced so as to avoid changes in the terms between them. These conclusions follow if it is assumed that initial tariffs are low, tariff reductions are small, and all exports are gross substitutes in world consumption. For a discussion of why these assumptions are necessary, see Mundell (fn. 9).

[12] Similarly, Scott C. James and David A. Lake argue that economic hegemons can use the opening of their markets to alter the incentives facing economic actors in other countries. The economic actors

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sociate tight military-political relations with donor trade preferences, the more interested they will be in preserving and strengthening military and political ties. Trade preferences also give importers in the donor country a greater stake in reinforcing these ties, which reduce the risk of political conflict, help deter attacks from enemy nations, and thus lower the risk of a break in economic links.[13] As a result, improved political and military relations provide insurance against welfare losses not only for exporters but also for importers.[14] Consequently, economic interest groups in both donor and recipient countries have interests in strengthening the political and military links to nations whose markets significantly affect the economic welfare of the groups. The groups can thus be expected to put pressure on policymakers to pursue policies that will reinforce political and military ties.

Because their interests differ from those of policymakers, economic interest groups may push for policies to strengthen political-military relations that go beyond what government officials deem desirable from the vantage point of grand strategy. Policymakers will, if possible, weigh the overall societal costs of being involved in military and political conflicts, costs that often exceed the economic benefits of strong political-military ties. Economic groups, in contrast, will consider only

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and also political leaders then may come to favor free trade policies that are in the hegemon's economic interest. See James and Lake, "The Second Face of Hegemony: Britain's Repeal of the Corn Laws and the American Walker Tariff of 1846," *International Organization* 43 (Winter 1989). Whereas for James and Lake the hegemon's economic strategy reflects its economic interest, in my article the economic strategy is part of a great power's grand strategy, designed to affect the quality of the ties between military allies.

[13] A possible objection to this argument is that economic agents may seek to weaken political and military ties if they think that thereby war will be avoided and trading patterns maintained. On the whole, however, it does not seem unreasonable to assume that strong ties will deter rather than invite attack from enemies.

[14] See Brian M. Pollins, "Conflict, Cooperation, and Commerce: The Effect of International Political Interactions on Bilateral Trade Flows," *American Journal of Political Science* 33 (August 1989), 741; and idem, "Does Trade Still Follow the Flag? A Model of International Diplomacy and Commerce," *American Political Science Review* 83 (June 1989), 470. Pollins ignores government policymakers' roles in formulating and implementing foreign economic policies that reflect political considerations. Because he has no notion of the supply of foreign economic policies, Pollins includes both economic and security concerns as arguments in importers' utility functions. Thus, importers are motivated by "the desire to reward friends, punish adversaries, and minimize risk" (June 1989, 470). That importers care about diplomatic relations because they affect the probability that economic ties may be disrupted, and thus also the risk that the importers face, is an important insight. I regard the desire to reward friends and punish adversaries, however, as derivative of the desire to minimize risk. When minimizing risk is not important—for instance, when close substitutes for imports exist—importers will not worry about rewarding friends and punishing adversaries. For government officials motivated by security considerations, in contrast, the economic consequences of a disruption of economic ties are less important than the impact such a disruption will have on political and military relations with allies and adversaries. Although political factors constrain the choices of private economic actors, the actors' behavior remains motivated by the desire to maximize economic welfare. See also the discussion of Pollins's argument in Gowa (fn. 1), 57–58.

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their own particular interests and ignore the costs and benefits to society as a whole. While the benefits may not seem adequate to society as a whole, groups such as the business community may judge the economic benefits to be well worth supporting an ally militarily. Moreover, business leaders may also largely avoid such costs of military conflict as participation in armed combat. In short, the costs to the business community of military involvements may be lower than the costs to society in general, and the benefits higher. A government that is vulnerable to pressures from the business community may well pursue foreign policies that are in the interests of this community. From a strategic point of view, this pressure is a problem because it may force a government to pursue foreign policies that will undermine its grand strategy. Private domestic interests, in other words, may constrain a government's ability to develop grand strategies that accurately reflect their strategic assessments.

The possibility in particular that policymakers in the beneficiary country may be forced to stand by their alliance commitments, even if this is strategically undesirable, makes discriminatory policies attractive for states in need of support. Discriminatory foreign economic policies may alter domestic political constraints in the beneficiary country and, as a result, allow policymakers to increase the domestic political costs to an ally who reneges on its alliance commitments. Because such costs are higher as a result of discrimination, both present and future governments of the ally will find it more difficult to change their alliance policies should their strategic assessments change. An ally is thus likelier to stand by its alliance commitments. Economic discrimination, in short, makes it more difficult for policymakers in the beneficiary country to deviate from a particular alliance policy.[15]

Depending on its own strategic assessments, the beneficiary may or may not allow itself to be bound in this way. Beneficiaries that can go it alone are more likely to try to avoid being bound than are allies that depend on support. Concerned as they are with enhancing the credibility of their alliance commitments, the latter type of ally is less likely than the former to seek alternative markets for its exports or to satisfy its capital needs. By accepting or trying to avoid a situation that will limit its future strategic options, the beneficiary communicates valuable information about its current intentions to the donor. Thus, allies that

[15] Kurt Taylor Gaubatz argues similarly that a trade agreement may create domestic constituencies with interests in maintaining the agreement, making it more difficult for policymakers to renege on the agreement. See Gaubatz, "Democratic States and Commitment in International Relations," *International Organization* 50 (Winter 1996), 123. Economic discrimination, of course, does not make escape from alliance commitments impossible.

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need military support can increase the credibility of their alliance commitments. For the donor, this means that discriminatory policies may give them more information about the beneficiary's current intentions as well as make it more difficult for the beneficiary to renege on its commitments should those intentions change.

Discriminatory policies also may alter the domestic interests in the donor country, opening up the possibility that the policies will bind both donor and beneficiary to an alliance. Still, it may not be possible to pursue such policies. These two objectives, that is, are often at cross-purposes. If the terms of trade for the beneficiary improve as a result of trade preferences, domestic groups will have a greater stake in maintaining close political-military relations with the donor. The beneficiary's policymakers will also have greater difficulty in deviating from an alliance commitment to the donor. In the donor country, however, although trade preferences may give importers more of a stake in maintaining economic and thus political relations with an ally, preferences may also increase the level of economic competition faced by import-competing industries. The impact on domestic industries in the donor country will be larger the more consumers regard the imported good as a substitute for the import-competing domestic good. When these goods are close substitutes in consumption, import-competing industries are likely to oppose not only preferences but also the military strategy to which they are linked. The more successful preferences are in altering the terms of trade in favor of the beneficiary's exporters, the more injurious trade preferences will be to import-competing industries, and thus the more difficult it will be for policymakers to shape trade policy to accord with strategic interests. For this reason, the more successful officials are in strengthening the ally's commitments, the more difficulty they may have in strengthening their own.

International political costs can be added to the domestic political costs often associated with trade preferences. If imports from the beneficiary and the rest of the world are close substitutes, trade will be diverted from the rest of the world to the beneficiary, leading perhaps to a deterioration in the political relations with the rest of the world, which would be costly. A similar result can be derived from models in which tariffs are endogenous, that is, a result of domestic lobbying. Here, a reduction in the tariff on goods from one country will lead to increased protection against the rest of the world (assuming imports from the rest of the world and the beneficiary are close substitutes) as protectionist lobbies in the donor country switch their efforts to lobby-

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ing for higher tariffs on goods from the rest of the world.[16] To the extent that such efforts succeed, preferences will worsen political relations with the rest of the world.

Because granting trade preferences to allies, both potential and existing, is associated with both domestic and international political costs, powers in need of military support from an ally should, ceteris paribus, be more willing than powers that can go it alone to grant preferential treatment to that ally. Powers in need of support derive higher strategic benefits from reinforcing an alliance than do powers better able to go it alone. In short, because the net costs of discriminatory policies fall differentially on powers in need of support and on those that can go it alone, the former are more likely than the latter to adopt such policies. The fact that the net costs are lower for powers in need of support also sets them apart from powers that can go it alone, signaling to allies and adversaries alike the strength of their alliance commitment and thus reinforcing the alliance's deterrent effect.

A great power is unlikely to adopt foreign economic policies that discriminate in favor of its adversaries, especially when it is concerned with strengthening relations with an ally. Granting an adversary preferential access might make it more difficult to grant or maintain preferential access on imports from the ally as domestic lobbies shift their efforts to imports from the rest of the world. That is especially true if the goods imported from ally and adversary are close substitutes. More generally, granting preferences to adversaries might reduce the advantages of preferences to domestic groups in allied countries, impeding efforts to strengthen alliance ties. Moreover, economic discrimination in favor of an adversary sends the wrong signals to both allies and adversaries, who may interpret such a policy as a sign of weakness. Allies may be forced to look elsewhere for a solution to their strategic problems, whereas adversaries may be encouraged to pursue more aggressive policies.

In sum, in cases of strategic need, great powers will grant trade preferences to their allies. Great powers do so in an attempt to foster the formation of a domestic coalition in the allied country that will favor close economic and military-political relations with the grantor country. The beneficiary's response to the donor's policies may also give the donor valuable information about the beneficiary's reliability as an ally. Closer political and economic ties in turn will enhance deterrence. In

[16] See Arvind Panagariya and Ronald Findlay, "A Political-Economy Analysis of Free-Trade Areas and Customs Unions," in Robert C. Feenstra, Gene M. Grossman, and Douglas A. Irwin, eds., *The Political Economy of Trade Policy: Papers in Honor of Jagdish Bhagwati* (Cambridge: MIT Press, 1996).

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those situations in which they can go it alone, great powers will refrain from granting their allies trade preferences. Great powers are also unlikely to grant adversaries trade preferences. In the next section, this argument is set against Gowa's important contribution to analyzing the links between security considerations and foreign economic policy.

Grand Strategy and Security Externalities

Scholars in international political economy have noted how the cold war shaped U.S. foreign economic policies after 1945.[17] Still, it is not difficult to agree with John Odell's judgment that systematic attempts to analyze the general links between security considerations and foreign economic policy are a recent phenomenon.[18] Gowa and Mansfield represent the two most important attempts at sustained analyses of these links.[19]

Gowa abandons the focus on welfare maximization characteristic of theories such as hegemonic stability theory and endogenous tariff theory in favor of an argument that stresses the links among security externalities, systemic polarity, and trade policy. She argues that because trade makes possible a higher level of economic welfare, it increases the potential military power of states. Trade therefore has security externalities. Because military alliances (partly) internalize the externalities, free trade is likelier within than across alliances. Alliances, however, differ in how successfully they internalize security externalities. Given that state choice plays a greater role in alliance formation in multipolar systems than in bipolar systems, defections are less likely in the latter. Alliances in bipolar systems therefore better internalize the security externalities of free trade, and thus free trade is likelier in bipolar alliances. Polarity and the resulting variance in exit risk, then, account for variation in the degree to which alliances are associated with free trade.

Gowa's conception of security externalities ties security concerns too closely to considerations of economic welfare. Trade and other foreign economic policies affect security not simply because they increase economic welfare and potential power but also because they directly affect the quality of alliance ties and alliance cohesion. How dependent allies are on alliances to meet their security needs varies. This variation

[17] See, for example, Arthur A. Stein, "The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order," *International Organization* 38 (Spring 1984), 367; and Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987), 88–90.

[18] John S. Odell, "Understanding International Trade Policies: An Emerging Synthesis," *World Politics* 43 (October 1990), 163.

[19] Gowa (fn. 1); and Mansfield (fn. 2). Because the theoretical underpinnings of Mansfield's work on trade (Chapter 5), derive from Gowa's argument, I focus on the latter.

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means, in turn, that states will differ in their willingness to invest resources in strengthening ties: those states relatively dependent on the alliance will be willing to invest more than those with a greater ability to go it alone. Although discriminatory foreign economic policies may negatively affect economic welfare and thus potential power, such policies also strengthen ties and thus enhance deterrence. Discriminatory policies, in other words, produce positive security externalities. By strengthening ties, the allies are less likely to defect, increasing the value of the alliance. Thus, discriminatory foreign economic policies not only reflect exit risk, they also *affect* that risk, a possibility Gowa has overlooked. One implication of this possibility is that, if the strength of alliance ties affects exit risk and if exit risk is greater in multipolar systems, then discriminatory foreign economic policies designed to strengthen ties may be *more* desirable in this case.

Generally, states face a trade-off between negative and positive security externalities when deciding whether to pursue free trade or protectionism. Whether the positive or the negative security externalities are more significant depends in part on strategic assessments, specifically the importance of deterrence and of stronger alliance ties, factors likely to vary considerably across time and across states. Thus, if we abandon Gowa's focus on polarity and the distribution of power and concentrate instead on the shifting need for support from allies, it is easier to explain variation in how alliance politics and foreign economic policies are linked. The study of British grand strategy in the 1930s that follows allows us to hold constant systemic polarity. Polarity, therefore, cannot account for the variation in British economic discrimination over time that we observe.[20]

British grand strategy in the 1930s has been selected for two other reasons. First, the severe economic problems of the 1930s make it likelier for domestic economic considerations to dominate strategic concerns in the formulation of British foreign economic policy. Second, prominent historians of British appeasement strategies in the 1930s have argued that foreign economic policies that discriminated in favor of Germany formed an integral part of the British policy of appeasement.[21] Thus, it is possible that my argument that great powers will dis-

[20] As Gowa herself points out, exit risk cannot explain the cross-alliance variation that "exists *within* international systems" (emphasis in the original). Gowa (fn.1), 78.

[21] Bernd-Jürgen Wendt, *Economic Appeasement: Handel und Finanz in der britischen Deutschland-Politik, 1933–1939* (Economic appeasement: Trade and finance in British policy toward Germany, 1933–1939) (Düsseldorf: Bertelsmann Universitätsverlag, 1971); C. A. MacDonald, "Economic Appeasement and the German 'Moderates,' 1937–1939: An Introductory Essay," *Past and Present* 56 (August 1972); and Hans-Jürgen Schröder, "Economic Appeasement: Zur britischen und amerikanischen

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criminate in favor of allies and refrain from discriminating in favor of their adversaries does not pertain when great powers pursue grand strategies to appease adversaries. Both of these reasons support my contention that British grand strategy is a least likely, or at least, a difficult case. If one can show that the argument *does* apply to British grand strategy in the 1930s, it is likelier to apply to the grand strategies of other great powers.

British Grand Strategy in the 1930s

Britain's strategic situation gradually deteriorated in the 1930s. After the Italian attack on Abyssinia in 1935 and the German remilitarization of the Rhineland in 1936, British planners faced the reality that Britain was strategically overextended. It was obvious that Britain could not defend simultaneously the home country against Germany, the Mediterranean sea lanes against Italian forays, and its Far East possessions against a Japanese attack. Forced to prioritize, British officials decided to prepare for war against Germany only. Britain's economic weakness, however, forced London to seek to improve relations with its potential enemies—above all Germany—by a policy of political appeasement.[22] Political appeasement was conditioned by a number of structural factors besides economic decline:[23] military weakness after years of neglect of the armed forces, a British public vividly remembering the horrors of World War I, and a lack of reliable allies. France was too weak; the Dominions and the United States isolationist; and the Soviet Union not to be trusted.[24] So tight were the structural constraints that "any other policy in 1938 would have been an astonishing, almost inexplicable divergence from the norm."[25] "In the absence of any

Deutschlandpolitik vor dem Zweiten Weltkrieg" (Economic appeasement: On British and American policy toward Germany before the Second World War), *Vierteljahrshefte für Zeitgeschichte* 30 (January 1982).

[22] N. H. Gibbs, *Grand Strategy*, vol. 1, *Rearmament Policy*, History of the Second World War (London: HMSO, 1976), 77–79, 85–87, 94, 293, 295, 375–79; William R. Rock, *British Appeasement in the 1930s* (New York: Norton, 1976), 45–46; Brian Bond, *British Military Policy between the Two World Wars* (Oxford: Clarendon Press, 1980), 218–20; and Stephen Roskill, *Naval Policy between the Wars*, vol. 2, *The Period of Reluctant Rearmament* (Annapolis, Md.: Naval Institute Press, 1976), 184.

[23] J. L. Richardson contrasts "traditional" and "structural" perspectives on appeasement. The traditional view argued that German ambition could have been prevented had Britain and Chamberlain stood up to Hitler's aggression. Richardson, "New Perspectives on Appeasement: Some Implications for International Relations," *World Politics* 40 (April 1988).

[24] Keith Feiling, *The Life of Neville Chamberlain* (London: Macmillan, 1946), 324; D. N. Dilks, "Appeasement Revisited," *University of Leeds Review* 15 (May 1972), 41–42; David Reynolds, *The Creation of the Anglo-American Alliance, 1937–41: A Study in Competitive Cooperation* (Chapel Hill: University of North Carolina Press, 1982), 7–8; and Rock (fn. 22), chap. 4.

[25] Paul Schroeder, "Munich and the British Tradition," *Historical Journal* 19, no. 1 (1976), 242.

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powerful ally, and until our armaments are completed, we must adjust our foreign policy to our circumstances," Chamberlain explained in a letter dated January 16, 1938, to a distant American relative. Accordingly, he was ready to make "a fresh attempt to reach a reasonable understanding with both Germany and Italy."[26]

Although Chamberlain was instrumental in formulating and implementing the particulars of the British policy of appeasement in the 1930s, his influence should not be exaggerated. As Richardson points out, Chamberlain's "policy toward Germany was the same that had been pursued by all British governments since 1919."[27] Moreover, as Richardson also notes, whereas economic and systemic constraints "would explain why Britain placed so high value on avoiding war, . . . they would not explain the particular strategy for doing so: appeasement, rather than, for example, deterrence." According to Richardson, the tradition of appeasement in British foreign policy and "the lessons of experience" explain the particulars of British strategy.[28] It is also true, however, that Chamberlain in several instances was willing to go further in the direction of accommodating German demands than were some of his colleagues, especially in the Foreign Office.[29] But, as David Reynolds has argued, policymakers in the Foreign Office "objected more to the conduct of appeasement than to the policy itself and they never translated their doubts into a clear-cut alternative."[30] Moreover, while the policy of appeasement may have been "massively overdetermined," as Schroeder argues,[31] Chamberlain also seems to have believed that Germany was too weak economically and too unstable politically to start a war. Appeasement, therefore, could succeed in persuading Germany to follow a more pacific foreign policy.[32]

[26] Feiling (fn. 24), 324; also David Dilks, "Baldwin and Chamberlain," in Lord Butler, ed., *The Conservatives: A History from Their Origins to 1965* (London: Allen and Unwin, 1977), 387–88.

[27] Richardson (fn. 23), 305–6.

[28] Ibid., 298. Paul Schroeder and Paul Kennedy have drawn attention to the continuity in British foreign policy between the 1800s and the 1930s. Schroeder (fn. 25); and Kennedy, *Strategy and Diplomacy, 1870–1945* (London: Allen and Unwin, 1983), chap. 1.

[29] Richardson (fn. 23), 307.

[30] Reynolds (fn. 24), 9.

[31] Schroeder (fn. 25), 242.

[32] For this argument, see Reynolds (fn. 24), 9. D. N. Dilks, on the other hand, argues that "a desire to gain time . . . played a considerable part" in persuading Chamberlain to pursue appeasement. "The Germans . . . are too conscious of their strength and our weakness, and until we are as strong as they are, we shall always be trapped in this state of chronic anxiety," Chamberlain wrote to his sister in 1938. Dilks (fn. 24), 43. Maurice Cowling argues that "how far, and at what point, Chamberlain believed that he had a mission to prevent war, how far, and at what point, his policy was tactical, must be matters for guesswork." Cowling, *The Impact of Hitler: British Politics and British Policy, 1933–1940* (London: Cambridge University Press, 1975), 179.

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Whereas a consensus seems to be emerging among historians that "appeasement" was heavily conditioned by structural factors, there is much less agreement as to the precise meaning of the term. In the 1930s it normally referred to "the alleviation of international tension," as in the many references to the "appeasement of Europe." Later it took on more negative connotations for some, referring to "pacifying [enemies] by satisfying demands."[33] Paul Kennedy defines it as "the policy of settling international . . . quarrels by admitting and satisfying grievances through rational negotiation and compromise, thereby avoiding resort to an armed conflict" and argues that this policy can be traced back to the 1860s.[34] More concretely, what appeasement seems to have meant to Chamberlain and Britain was a general settlement of all outstanding grievances, and not "piecemeal concessions to buy off the dictators."[35]

Scholars have argued that economic appeasement went hand in hand with political appeasement. The purpose of economic appeasement by Britain, they have argued, was to reduce or eliminate economic conflicts of interest with Germany to show that country how to achieve its goals without resorting to rearmament and the threat of war. Moreover, a successful policy of economic appeasement would have strengthened the hand of the German "moderates" led by Hjalmar Schacht, Reichminister of economics and president of the Reichsbank. Strengthening the moderates, in turn, would have facilitated the peaceful resolution of international conflicts.[36] This view of the motivations behind economic appeasement directly contradicts my own: that British foreign economic policies toward Germany supports the argument that great powers will not discriminate in favor of their enemies.

After 1936 British policymakers decided to try to improve political and economic relations with the United States. Without U.S. assistance, Britain would have been unable to meet a threat to its interests in the Pacific and at the same time maintain sufficient forces to take on Germany. In their realistic moments, British officials conceded that, at least in the short run, they could hope for little beyond U.S. neutrality. In their sanguine moments, however, British officials saw trade dis-

[33] Donald Watt, "The Historiography of Appeasement," in Alan Sked and Chris Cook, eds., *Crisis and Controversy: Essays in Honour of A. J. P. Taylor* (London: Macmillan, 1976), 123.

[34] Kennedy (fn. 28), 16.

[35] To Reynolds, Munich is "the desperate aberration from appeasement rather than its culmination." Reynolds (fn. 24), 8.

[36] MacDonald (fn. 21), 105–8; and Gustav Schmidt, *The Politics and Economics of Appeasement: British Foreign Policy in the 1930s*, trans. Jackie Bennett-Ruete (New York: Berg, 1986), 35, 37–38, 46.

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crimination in favor of the United States as possibly leading to greater political and military cooperation between London and Washington. As argued above, economic concessions may either precede or follow formal alliance ties, and the British case provides an illustration of the former. Trade concessions, British officials hoped, would help pave the way for an alliance and help deter a German attack. The important point is that British economic concessions were an integral part of a larger British strategic calculus that resulted from its need to aggregate capabilities. Still, the hope was enough to inspire British trade concessions to the United States. With France, another potential ally, Britain avoided such concessions. Strengthening political relations with France was unnecessary and would have been counterproductive. Britain's stance also was consistent with its policy of keeping France at arm's length.

Strategic Need and Economic Relations with the United States

Because of the nature of Great Britain's economic relations with the United States, economic concessions were potentially an important and useful strategic instrument. The United Kingdom was the United States' most important export market, absorbing over 16 percent of U.S. exports in the 1930s. The United Kingdom thus ranked just ahead of Canada (roughly 15 percent in the same period). The United Kingdom was especially important as a market for American agricultural exports,[37] with the consequence that British trade concessions could significantly affect the economic welfare of the politically influential Midwestern farmers of the United States, who were inclined to favor isolationism. Agricultural trade concessions could thus play an important strategic role by changing the economic interests of American farmers, and thus their political interests, making it easier for U.S. policymakers to pursue a less isolationist foreign policy.

The Italian attack on Abyssinia in 1935 and the German remilitarization of the Rhineland in 1936 forced Britain to try to improve relations with the United States. Trade policy took on an especially

[37] Richard N. Kottman, *Reciprocity and the North Atlantic Triangle, 1932–1938* (Ithaca, N.Y.: Cornell University Press, 1968), 118; and Percy Wells Bidwell, *Our Trade with Britain: Bases for a Reciprocal Tariff Agreement* (New York: Council on Foreign Relations, 1938), 4–11. Agricultural exports constituted roughly 50 percent of total U.S. exports to the United Kingdom in 1938. Bidwell provides a breakdown of those exports by commodity in his Table 4 (p. 10). Whereas the British market may have been important to U.S. agriculture, the economic significance to the U.S. economy as a whole, however, was limited. In 1938 foreign trade accounted for 7.8 percent of U.S. national income, with exports to the United Kingdom constituting only .8 percent, down from 1.0 percent in 1928. Bruce M. Russett, *Community and Contention: Britain and America in the Twentieth Century* (1963; reprint, Westport, Conn.: Greenwood Press, 1983), 55, 93.

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important role, particularly since American isolationism had effectively closed off chances of a political rapprochement. Britain therefore responded positively to the American request for trade negotiations.

Britain's decision to negotiate with the United States contrasts sharply with its unenthusiastic response to American feelers about a trade accord in 1934, when U.S. Secretary of State Cordell Hull attempted to persuade the British that peace depended on economic cooperation between the two countries.[38] The emergence of an Italian threat in the Mediterranean after the Italian attack on Abyssinia in 1935 and the impossibility of fighting simultaneously against Germany, Italy, and Japan, however, meant that Britain had an acute need for support in the Pacific. So acute was this need that British officials were willing to pay the high price of economic concessions to improve relations with the United States. International tensions dictated that Great Britain did need U.S. support, even though British policymakers admitted that that support might amount only to a favorable neutrality.[39]

Accordingly, in February 1937, the foreign secretary, Anthony Eden, asked the British ambassador to the United States, Sir Ronald Lindsay, to ponder the possibilities of reaching a trade accord with the United States. The memorandum Lindsay prepared in response laid out with particular clarity the motives for the new British policy. Although attempts to entice the United States to abandon its neutrality were futile, Lindsay wrote, neutrality itself could have several positive effects in practice. Britain, he felt, must, therefore, work to see to it that "as the pressure of war increases . . . the hue of American neutrality shall remain favourable. These are things for which if and when the moment arrives, we shall be willing to pay a heavy price."[40]

That payment had to be at least partly in economic concessions. "What means have we at our disposal to maintain and improve our relations with the United States?" Eden asked in May 1937. "The political approach is closed. Of that there is no question. The major approach quite clearly lies in the economic sphere."[41] Making it easier

[38] Ian M. Drummond and Norman Hillmer, *Negotiating Freer Trade: The United Kingdom, the United States, Canada, and the Trade Agreements of 1938* (Waterloo, Ont.: Wilfrid Laurier University Press, 1989), 4–5, 7, 37–38, 155–56; Kottman (fn. 37), 120, 123; and Richard A. Harrison, "The United States and Great Britain: Presidential Diplomacy and Alternatives to Appeasement in the 1930s," in David F. Schmitz and Richard D. Challener, eds., *Appeasement in Europe: A Reassessment of U.S. Policies* (Westport, Conn.: Greenwood Press, 1990), 114–15.

[39] See Richard A. Harrison, "The Runciman Visit to Washington in January 1937: Presidential Diplomacy and the Non-commercial Implications of Anglo-American Trade Negotiations," *Canadian Journal of History/Annales Canadiennes d'Histoire* 19 (August 1984), 221–23; and Roskill (fn. 22), 184.

[40] Benjamin M. Rowland, *Commercial Conflict and Foreign Policy: A Study in Anglo-American Relations, 1932–1938* (New York: Garland Publishing, 1987), 223–26.

[41] Drummond and Hillmer (fn. 38), 35.

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for the United States to increase its agricultural exports to Great Britain would be, in Lindsay's view, a particularly significant move:

> In the event of a major crisis in Europe, the factor which will most impede any measures which the American Government might take in favour of Great Britain will be the Middle West, and it is just the Middle West, the center of the agricultural community, which will be directly and favourably affected by the conclusion of a commercial treaty with the United Kingdom, improving or facilitating the export of agricultural produce from the United States to Great Britain.[42]

A successful appeal to the material interests of the Midwestern farmers, Lindsay held, "might even be the deciding factor in the attitude which America might take."[43] More generally, an agreement would, as the economic department of the Foreign Office noted in April 1937, create "an appearance of solidarity between British and American policy which is having its effects in curbing the dictators and keeping up the spirits of Central Europe."[44] A Foreign Office minute further emphasized the political importance of an agreement, arguing that a commercial agreement with the United States

> might . . . indeed, have political consequences of the highest order, and even decide the issue of peace and war in Europe. Besides this consideration those of the particular interests affected [i.e., private economic interests in the United Kingdom] pale into insignificance. . . . We are anxious to draw America away from her policy of isolation and to secure her co-operation and goodwill particularly in the event of vital emergencies in the future. America has a horror of political entanglement, but fortunately under the guidance of Mr. Cordell Hull she is now displaying a willingness to co-operate in the economic field. If United States initiative is now rejected and the opportunity of economic co-operation is lost, America may possibly go back again into her shell and adopt a more extreme form of isolationism. Surely, therefore, some sacrifice is required on the part of the home producer and the Dominions to retain United States goodwill and particularly that of one of the most important and vocal parts of America, the Middle West, which will be the first to benefit from any agricultural tariff concessions on our part.[45]

Thus the Foreign Office regarded British trade concessions, which would change the economic interests and by extension the political attitudes of the Midwest in particular, as useful for strengthening domes-

[42] Rowland (fn. 40), 229.

[43] Ibid.

[44] C. A. MacDonald, *The United States, Britain and Appeasement, 1936–1939* (New York: St. Martin's Press. 1981), 24.

[45] Public Record Office [PRO], Foreign Office [FO] 371/21492, A 1525/1/45, October 27 and 28, 1937; see also FO 371/21490, A 556/1/45, January 21, 1938.

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tic support in the United States for closer political and military relations with Great Britain.

Chamberlain was more skeptical, not least about the reliability of the United States in a crunch. Although he was convinced of Washington's good intentions, "the trouble is that public opinion in a good part of the states still believes it possible for America to stand outside Europe and watch it disintegrate, without being materially affected herself." In his diary, Chamberlain wrote that "the U.S.A. has drawn closer to us, but the isolationists there are so strong and so vocal that she cannot be depended on for help if we should get into trouble."[46] There is strong evidence that his lack of faith in the likelihood of U.S. support was an important motivating force behind British appeasement.[47] Convinced that "it is always best and safest to count on nothing from the Americans but words,"[48] he received with no enthusiasm, for instance, Roosevelt's proposal of January 1938 for a meeting between heads of state to discuss "methods of achieving the limitation and reduction of armaments" and "methods for promoting equal access to raw materials and other elements necessary to economic life." Chamberlain complained about "the delays and dangers of an ill-prepared international conference," which would do nothing but undermine his efforts to reach an accommodation with Italy.[49]

Nevertheless, despite his skepticism about U.S. reliability, even Chamberlain recognized that a trade agreement could play a useful role in at least maintaining relations with the United States. In this respect, it may have helped that the isolationist sentiment that so rankled Chamberlain was especially strong in the Midwest, the region that would most benefit from British trade concessions. Still, to Chamberlain, an agreement was important not so much because it would improve relations with the United States, but because it would help to

[46] Kottman (fn. 37), 220.

[47] William R. Rock, *Chamberlain and Roosevelt: British Foreign Policy and the United States, 1937–1940* (Columbus: Ohio State University Press, 1988), 69–70.

[48] Reynolds (fn. 24), 16.

[49] Rock (fn. 47), chap. 3; Reynolds (fn. 24), 19, 31–32; Francis Loewenheim, "An Illusion That Shaped History: New Light on the History and Historiography of American Peace Efforts before Munich," in Daniel R. Beaver, ed., *Some Pathways in Twentieth-Century History: Essays in Honor of Reginald Charles McGrane* (Detroit, Mich.: Wayne State University Press, 1969); Arnold A. Offner, *American Appeasement: United States Foreign Policy and Germany, 1933–1938* (Cambridge: Harvard University Press, 1969), 190–94, 216–23; MacDonald (fn. 44), 66–69. The following memoranda and letters appear in Department of State, *Foreign Relations of the United States* [FRUS], vol. 1 (1937): Memorandum by the Under Secretary of State (Welles), October 6, 1937, 665–66; Memorandum by the Under Secretary of State (Welles), October 9, 1937, 667; The Under Secretary of State (Welles) to President Roosevelt, October 26, 1937, 667–70; and The Under Secretary of State (Welles) to President Roosevelt, January 14, 1938, 117–20.

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make sure that they did not worsen. Stronger ties with the United States, however, could depend not only on the conclusion of a trade agreement but also on the extent to which the United States would "adopt a strong posture in the Far East so that Britain could concentrate her forces in Europe." A repeal of the Neutrality Acts would also have been helpful.[50]

Conceding that relaxing the Ottawa obligations might be necessary, Chamberlain also emphasized the importance of the trade ties with the Dominions in maintaining their loyalty.[51] "We must make it clear," he argued, "that the United States could never enjoy the same preferential level as the British Commonwealth of Nations." This did not preclude, however, "suitable modifications" of the Ottawa Agreements, provided "that, where necessary, the Empire Governments concerned agree[d]."[52] When the "agreement to contemplate [trade] negotiations" was proclaimed in November 1937, Chamberlain, prime minister as of May 28, wrote to his sister that

> The reason why I have been prepared . . . to go a long way to get this treaty, is precisely because I reckoned it would help to educate American opinion to act more and more with us, and because I felt it would frighten the totalitarians. Coming at this moment, it looks like just the answer to the Berlin-Rome-Tokyo axis.[53]

The dictators in Germany, Italy, Japan, and Russia "pay no heed to reason," he elaborated in January 1938, "but there is one argument to which they will give attention, and that is force. U.S.A. and U.K. in combination represent a force so overwhelming that the mere hint of the possibility of its use is sufficient to make the most powerful of dictators pause. Cooperation between our two countries is the greatest instrument in the world for the preservation of peace."[54] Chamberlain's emphasis on the link between a trade treaty and favorable American public opinion was similar to Lindsay's assessment. Nevertheless, Chamberlain differed with the Foreign Office over what value to put on a favorable American neutrality. Although he was not as prepared as

[50] Rowland (fn. 40), 239; and Arthur W. Schatz, "The Anglo-American Trade Agreement and Cordell Hull's Search for Peace, 1936–1938," *Journal of American History* 57 (June 1970), 95–96.

[51] The American department of the Foreign Office concurred, remarking on April 1, 1937, "however great the importance of having a friendly America, a friendly Empire is of greater importance still. We cannot destroy the Commonwealth for the beaux yeux of the Middle West." For this reason the initial list of American demands for economic concessions was rejected as too extreme. MacDonald (fn. 44), 25.

[52] Rowland (fn. 40), 240–41; and PRO, Cabinet Office [CAB] 23/90, Cabinet conclusions, October 27, 1937.

[53] Schatz (fn. 50), 100.

[54] Kottman (fn. 37), 221–22.

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the Foreign Office to grant the United States the concessions it demanded, still, both now agreed that a trade agreement was worth Britain's while.[55]

Once the negotiations got under way, Cordell Hull expressed his desire for a more extensive agreement than the British had planned to offer. It became increasingly clear, however, that Britain would gain little economically from an Anglo-American trade treaty, since a trade accord was likely to increase rather than diminish Britain's already large trade deficit with the United States.[56] Moreover, the leading representatives of British industry, the Federation of British Industries and the National Union of Manufacturers, opposed a trade treaty with the United States. The British Chamber of Commerce, however, supported a treaty while acknowledging that it would hurt some businesses.[57] Despite the insignificant economic benefits and domestic opposition to a treaty, however, the Cabinet decided to press ahead with the talks in a meeting on July 28, 1938. In a telegram from that meeting, Lindsay noted, "Let it be remembered that from the first political motives connected with the European situation have had a highly important part in actuating His Majesty's Government to negotiate." He added, "It is we who are trying to woo the United States away from isolation not the United States who desire to involve themselves in non-American entanglements. We thus stand to lose far more from a breakdown than the United States Government."[58] The political benefits were too important to risk a breakdown of the discussions. As Chamberlain argued during the meeting,

> the practical results of the Agreement might not be very great, but . . . the psychological effect on the world was of great importance. The more the impression could be created in Europe that the United Kingdom and the United States were getting together, the less would have to be spent on armaments.[59]

The Cabinet agreed and "place[d] on record the importance that they attached, from a political and international point of view, to the conclusion of a Trade Agreement with the United States of America."[60] Accordingly, the Cabinet decided to offer additional concessions, specifically free entry for lard.[61] Such a "concession would be of greatest

[55] Rowland (fn. 40), 267; also Reynolds (fn. 24), 16.
[56] Drummond and Hillmer (fn. 38), 34.
[57] Kottman (fn. 37), 219.
[58] FO 371/21501, A 5747/1/45, July 25, 1938.
[59] CAB 23/94, Cabinet conclusions, July 28, 1938; also FO 371/21501, A 5747/1/45, July 18, 1938.
[60] CAB 23/94, Cabinet conclusions, July 28, 1938.
[61] Imperial lard exports to the United Kingdom had previously benefited from a 10 percent preferential rate. British bacon curers, it was also decided, would receive compensation for the reduced duty

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political value to the United States," Lindsay argued from Washington.[62] "Everything turned . . . on a decision on lard . . . without . . . [which] no Agreement was possible," Stanley informed the Cabinet.[63] "Lard," a Foreign Office minute elaborated, "is one of the most important of the outstanding agricultural items; it affects the whole hog-raising population of the Middle West."[64]

Britain and the United States finally signed a treaty on November 17, 1938. In the view of some historians the treaty favored the United States. Others are more impressed by American "concession and retreat" during the negotiations.[65] The treaty, therefore, may be regarded as not unambiguously favoring either party. In any case, Chamberlain publicly emphasized the importance of the treaty as an expression of Anglo-American solidarity, although he "had never hoped," as he stated in a Cabinet meeting on October 19, 1938, "that we should obtain any great economic or political support from the United States as a result of making this agreement. The advantages to be derived were of a somewhat negative kind. It was clear that if after months of negotiations no agreement was reached, hard things would be said."[66] Once the treaty was concluded, however, he believed more optimistically that the treaty was useful because the Germans felt that its terms went beyond economic matters to include "secret military clauses."[67] The closer relations between the United States and Great Britain would deter German aggression, Chamberlain hoped, and bring Germany back to the negotiation table.[68] Despite being skeptical about the value of U.S. sup-

in the form of a price guarantee. John Simon, chancellor of the exchequer, observed that the Treasury would thereby lose income from the duty as well as see its outlays increase. "In view, however, of the great political importance of reaching agreement with the United States, he felt justified in facing that," he added. CAB 23/94, Cabinet conclusions, July 28, 1938.

[62] FO 371/21501, A 5774/1/45, July 25, 1938.

[63] CAB 23/94, Cabinet conclusions, July 28, 1938.

[64] FO 371/21501, A 5747/1/45, July 18,1938. As a percentage of U.S. agricultural exports to the United Kingdom, lard had declined from approximately 7 percent in 1929 to 3 percent in 1937. See Bidwell (fn. 37).

[65] CAB 23/96, Cabinet conclusions, October 19, 1938; Feiling (fn. 24), 322; Kottman (fn. 37), 263; Schatz (fn. 50), 100–101; Rowland (fn. 40), 348, 359; and Drummond and Hillmer (fn. 38), 140–41, 156.

[66] CAB 23/96, Cabinet conclusions, October 19, 1938.

[67] The German embassy in Washington got the message, interpreting a trade agreement as a sign of Anglo-American solidarity. As the German chargé d'affaires in Washington put it, "The Embassy has frequently reported on the parallelism of Anglo-American policy in recent years. The imminent conclusion of a trade agreement has a significance which goes far beyond economic matters." The following letters appear in *Documents on German Foreign Policy* [DGFP], D: The German Chargé d'Affaires in the United States (Thomsen) to the German Foreign Ministry, September 12, 1938, vol. 1, no. 462: The German Ambassador in the United States (Dieckhoff) to the German Foreign Ministry, September 27, 1937, vol. 1, no. 409.

[68] MacDonald (fn. 44), 114–15.

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port, Chamberlain and other British policymakers, on the whole, did regard the agreement as strategically valuable to Great Britain.[69] Their skepticism, however, limited the concessions they were prepared to make, as in Chamberlain and the Foreign Office's insistence that the United States could never enjoy the same preferential level as the Commonwealth. In sum, the evidence in this section supports the theoretical argument outlined above that great powers will discriminate in favor of their (potential) allies to strengthen domestic support for the alliance in the ally and thus enhance deterrence.

Strategic Need and Economic Relations with France

British security in Europe depended above all on keeping the Low Countries out of Germany's clutches and thus protecting the British Isles from air and naval attacks. Because control of France would mean control of the Low Countries, a German attack on France also would willy-nilly involve Britain on the side of France. If Germany attacked Britain instead, this would almost certainly involve Germany in a war with France as well. Thus, an alliance with France was inevitable. Britain, however, contemplated a wartime rather than a peacetime alliance, so that at least in the initial stages of a war with Germany, France would take on Germany alone. Policies that might commit Britain beforehand to continental involvement and a land war were thus assiduously avoided. Britain hoped to appease Germany and to postpone war at least until British rearmament was completed. British officials believed that closer Anglo-French military cooperation would only encourage French inflexibility vis-à-vis German demands, thus threatening the success of appeasement.[70] France's military weakness also meant that an alliance would do too little to ease Britain's strategic predicament.

Far from trying to strengthen relations with France, British officials were careful to keep France at a distance. Not until 1939 did Britain abandon its policy of keeping France at arm's length. Britain could go it alone in the sense that strengthening political and military relations in peacetime was unnecessary and indeed counterproductive. Thus, we

[69] David Reynolds observes that "it is not enough to cite Chamberlain's personal prejudices [against the United States]. One must look at what he *did*, or did not do, in order to determine his policy towards the United States." Reynolds (fn. 24), 16. The trade agreement and the concessions that a skeptical Chamberlain was nevertheless willing to provide illustrate Reynold's viewpoint well.

[70] Brian Bond and Williamson Murray, "The British Armed Forces, 1918–39," in Alan R. Millett and Williamson Murray, eds., *Military Effectiveness*, vol. 2, *The Interwar Period* (Boston: Allen and Unwin, 1988), 109; Bond (fn. 22), 235; Gibbs (fn. 22), 798–800; and Posen (fn. 3), 154–58.

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would expect Great Britain to refrain from pursuing trade policies that discriminated in favor of France.

Although Britain and France concluded a trade treaty in July 1934, they did so only after several years of subjecting each other's exports to various forms of surtaxes, duties, and quotas. In the treaty, France agreed to end discrimination against British imports and to apply its minimum tariffs on British goods. In return, Britain imposed on French goods tariffs that were no higher than the lowest imposed on non-Empire goods. While France and Britain agreed to most-favored-nation treatment, Britain retained the Ottawa preferences and continued throughout the 1930s to discriminate in favor of Empire goods and against French products.[71] Britain's trade policy toward France contrasts sharply with that pursued toward the United States, in which the British were willing to reduce Empire preferences in favor of American exports. Variation in Britain's strategic need explains this difference in treatment.

The British policy of keeping France at arm's length was also evident in British monetary policy. The French devalued the franc in September 1936, preceded by the so-called Tripartite Stabilization Agreement between the United States, France, and Great Britain. As part of the agreement, both Britain and the United States agreed not to retaliate against the devaluation of the franc. Yet Chamberlain promised nothing as far as exchange rates were concerned; Britain neither supported a particular level of exchange rates nor committed to stabilizing rates in the long run. British policy would continue to "take into full account the requirements of internal prosperity of the countries of the Empire." London, that is, would persist in its policy of preventing the pound from appreciating too much while doing little to stop depreciation. "There was," Ian Drummond argues convincingly, "strictly speaking, no agreement at all."[72]

The British agreed not to retaliate against the devaluation because they wanted to maintain the gold standard, since if it collapsed, French capital was likely to flow to Britain. The result would be an apprecia-

[71] CAB 23/77, Cabinet conclusions, November 29, 1933; J. Henry Richardson, *British Economic Foreign Policy* (1936; reprint, New York: Garland, 1983), 110–12; and Frank Arnold Haight, *French Import Quotas: A New Instrument of Commercial Policy* (1935; reprint, Nendeln: Kraus, 1970), 105–7.

[72] Ian M. Drummond, *The Floating Pound and the Sterling Area, 1931–1939* (Cambridge: Cambridge University Press, 1981), 217; idem, *London, Washington, and the Management of the Franc, 1936–39*, Princeton Studies in International Finance, no. 45 (Princeton: Princeton University Press, 1979), 1; and Kenneth A. Oye, *Economic Discrimination and Political Exchange: World Political Economy in the 1930s and 1980s* (Princeton: Princeton University Press, 1992), 129. Other commentators, however, have taken the agreement as representing "a fundamental change" (Kindleberger) in international monetary relations. See Drummond (1981), 201–2.

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tion of the pound vis-à-vis the franc, which would hurt British exporters.[73] The British concern with trade was also reflected in Chamberlain's demand that a declaration deal not only with exchange rates but also with the impediment imposed by French quotas and other restrictions on international trade. The declaration advocated the progressive relaxation of quotas and exchange controls. On October 20, 1936, after additional British pressure, the French lowered duties on some goods not covered by quotas, and they abolished a third of their quotas.[74]

The agreement did not commit Britain to changing its policy. Nevertheless, in the years following the agreement, the central banks of the United States, Britain, and France and the equalization funds that they had set up to stabilize exchange rate movements consulted regularly.[75] The consultations led to little coordination of policy, however, since none of the three countries could be forced to pursue any particular exchange rate. In this respect, it made little difference that the supplementary Gold Agreement Act of October 1936 established the so-called twenty-four-hour stabilization of exchange rates. It also did not matter that the equalization funds settled gold balances daily. The United States, Great Britain, and France were all careful to maintain their independence in implementing domestic policy. The main purpose of consultation was to avoid policies that would greatly destabilize the international monetary system.[76]

Several commentators have argued that growing concerns in Britain, France, and the United States about the rise of Nazi Germany led to the increased consultation after 1936.[77] There is some evidence that the French thought of the declaration as a step toward greater cooperation

[73] Drummond (fn. 72, 1979), 9, 15. Greater currency stability also made it easier for the British to contemplate a trade agreement with the United States. Andrew J. Crozier, *Appeasement and Germany's Last Bid for Colonies* (New York: St. Martin's Press, 1988), 242–43.

[74] R. S. Sayers, *The Bank of England, 1891–1944*, 3 vols. (Cambridge: Cambridge University Press, 1976), 478, 480; and Drummond (fn. 72, 1981), 211, 220.

[75] The Bank of France and the Bank of England had engaged in consultations even before the Tripartite Declaration. The Federal Reserve Bank of New York became involved after the declaration was a fact. Drummond (fn. 72, 1981), 217. In the case of Britain and the United States, the equalization funds had been set up several years prior to the agreement.

[76] Drummond (fn. 72, 1979), 1; idem (fn. 72, 1981), 223; and Barry Eichengreen, *Elusive Stability: Essays in the History of International Finance, 1919–1939* (Cambridge: Cambridge University Press, 1990), 149–50.

[77] Harold van B. Cleveland, "The International Monetary System in the Interwar Period," in Benjamin M. Rowland, ed., *Balance of Power or Hegemony: The Interwar Monetary System* (New York: New York University Press, 1976), 51; Sayers (fn. 74), 477; Martin Wolfe, *The French Franc between the Wars, 1919–1939* (New York: Columbia University Press, 1951), 146; also Kenneth A. Oye, "The Sterling-Dollar-Franc Triangle: Monetary Diplomacy, 1929–1937," in Oye, ed., *Cooperation under Anarchy* (Princeton: Princeton University Press, 1986), 193.

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of "the three great democracies" against Germany. Similarly, U.S. Treasury Secretary Henry Morgenthau saw the Tripartite Agreement as "a threat to Italy and Germany." Security considerations, however, were not important to the British during the consultations that led to the declaration. Even in France's case, concerns about retaliation and the domestic reaction to a devaluation were far more important than were international political factors.[78]

Political considerations do not account for why Britain agreed to the Tripartite Declaration. They are, however, important in explaining why Britain and the United States were, to use Drummond's phrase, "prepared to ignore the way in which France ignored it."[79] The French franc came under renewed pressure soon after the declaration, and in the years 1937–38, it went from approximately 110 francs to as low as 179 francs per pound. Yet consultation was sporadic, the French usually presenting the British and the Americans with a fait accompli. Neither Britain nor the United States took any action, allowing the Tripartite Agreement to survive at least officially. The British Foreign Office worried that a French economic collapse would greatly intensify political instability in France, which in turn might spur Nazi Germany and Italy to military action. Similarly, a failure of the agreement and the exposure of discord among the democracies might tempt the dictatorships to aggression. In short, as the British Foreign Office saw it, the agreement would aid in keeping France democratic. The Foreign Office, which had not been involved in the talks that led to the agreement, was now more involved in the policy-making process. Political considerations were therefore more important. Still, the Treasury and the Board of Trade continued to worry about Britain's economic competitiveness, also a concern of the Foreign Office.

Economically, the agreement was useful because it enabled Britain to pressure France to follow economic policies more in accord with Britain's wishes. As long as the agreement remained in force, controlling speculation against the franc and preventing gold from flowing into British coffers would be easier.[80] Although France ignored the agreement, without it France would presumably have shown even less regard for British and American reactions.[81] Thus, economic and polit-

[78] Drummond (fn. 72, 1981), 250; idem (fn. 72, 1979), 54; and Oye (fn. 72), 128.
[79] Drummond (fn. 72, 1979), 55.
[80] Inflows of gold threatened to lead to an appreciation of the pound, making British exports less competitive.
[81] Drummond (fn. 72, 1979), 1, 7, 32, 35–36, 53–55.

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ical considerations pulled in the same direction; both made it desirable to preserve the agreement. London, however, did not regard the Tripartite Agreement as part of an overall strategy designed to improve military-political relations with France. The agreement did not in any way interfere with London's desire to keep France at arm's length and from pursuing a "forward" policy. Economic considerations, therefore, explain why Britain concluded the stabilization agreement. Political and strategic considerations probably better explain why the agreement survived than why it was concluded, but the importance of political considerations should not be exaggerated.

As the next section shows, British economic policies toward France did not differ appreciably from those toward Germany. Britain did not discriminate in either's favor. Although some British policymakers gave considerable attention to the idea of economic appeasement, Britain never embarked on such a policy. Rather, in the end, they agreed that British economic concessions would depend on an antecedent political settlement between Germany and Great Britain.

Appeasement without Economic Preferences

Any assessment of economic appeasement confronts the difficulty of determining exactly what economic appeasement was and what the motives behind this policy or policies were. The term economic appeasement was used at the time, and has been used since, to refer to a wide range of policies and motivations. The policies include a willingness to recognize a German sphere of economic influence in Mitteleuropa, a modification of the economic policies adopted in 1931 and 1932 that hurt Germany economically, an easing of Germany's access to raw materials by providing credit, and a reintegration of the German economy in a multilateral trading system. The motives behind these policies were equally varied. Some officials wanted to prevent the emergence of a German-Soviet economic bloc, an economic "Rapallo." Others wanted to employ foreign economic policies to strengthen the hands of the so-called German moderates. Yet others saw in economic appeasement an opportunity to save a liberal capitalist order by loosening state control, whether in Germany or the Soviet Union.[82]

For our purposes, whereas some of the policies subsumed under the rubric of economic appeasement implied the reduction of economic

[82] Schmidt (fn. 36), 33–37; and Keith Robbins, *Appeasement* (Oxford: Basil Blackwell, 1988), 33–34. Schmidt lists nine different definitions of appeasement.

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discrimination *against* Germany, none of the policies discriminated in *favor* of Germany (and thus against others). Whatever one makes of the very "complicated debate"[83] regarding whether Chamberlain and the British government pursued a policy that can properly be termed economic appeasement, the contrast between the policies pursued toward the United States and Germany remains.

Another difficulty—which relates specifically to the question of how one assesses the motivations underlying the policies associated with economic appeasement—is that British economic self-interest (which in some cases involved reducing discrimination *against* Germany) and interest in improving relations with Germany (political appeasement) pulled in the same direction. Moreover, improving Britain's balance-of-payments position by expanding trade was not only in Britain's economic self-interest. Expanding trade was also in Britain's strategic interest as it would alleviate the balance-of-payments difficulties that placed such severe constraints on Britain's rearmament efforts. Thus, the policies themselves do not always allow us conclusively to distinguish between those two motives.

In assessing economic appeasement we need to show that the economic policies in question were advocated because they would lead to changes not only in economic relations but also in political relations. We need to distinguish between policies that were supported either because they would benefit Britain or British interest groups economically or because they would strengthen the hands of the German moderates and lead to a less aggressive German foreign policy.[84] Economic appeasement cannot be divorced from political motives. I argue in this section that the British favored several policies commonly considered to represent economic appeasement primarily because, they thought, the policies would benefit them economically, not because they would lead Germany to abandon its aggressive foreign policies.[85] In the cases

[83] Robbins (fn. 82), 33.

[84] Schmidt (fn. 36), 45–46, 191–92.

[85] Space does not permit a discussion of all these policies. Thus, the question of whether Britain should grant colonial concessions to Germany is not treated here. The discussion in the Cabinet shows that there was never any question of returning colonies to Germany without a prior resolution of the political conflicts between London and Berlin. Moreover, the Cabinet as such never reached a decision on the issue of offering Germany the colonial concessions. See CAB 23/90, Cabinet conclusions, November 24, 1937; CAB 23/96, Cabinet conclusions, November 16, 1938; Crozier (fn. 73), esp. 181–83, 196–204, 229–30, 236–39, 248, 271–72; Wendt (fn. 21), 457–58; and Simon Newman, *March 1939: The British Guarantee to Poland: A Study in the Continuity of British Foreign Policy* (Oxford: Oxford University Press, 1976), 55, 58–59, 63–66. I also do not consider the industrial talks conducted in 1938 and 1939 between representatives of German and British industries—encouraged by their respective governments—which led to an agreement in March 1939. On the British side, concerns about Britain's trade balance and international financial credibility motivated the negotiations. Even Ashton-Gwatkin argued that "we would certainly be much concerned if we thought that they [the negotiations] were

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discussed below, economic self-interest alone would have led Britain to adopt the policies in question even in the absence of Chamberlain's policy of political appeasement. Underlying these policies was the general notion that Britain's economic recovery from the ravages of the depression depended on the restoration of a liberal international economy in which Germany would have to play a central role.[86] Because they were motivated by economic self-interest, those policies cannot be considered examples of economic appeasement. Instead, the evidence corroborates the proposition that great powers will not discriminate in favor of their adversaries. Granting economic concessions to Germany would have made more difficult British efforts to use such concessions to strengthen relations with the United States.

A commonly cited example of economic appeasement is the negotiations in 1938 to revise the 1934 Payments Agreement, for four years the basis for economic relations between Germany and Britain.[87] In response to pressure from its export industries, Britain entered the negotiations to persuade Germany to increase the proportion of its sterling earnings used to buy British goods. The British were also concerned about the German government's threat, in the wake of the *Anschluss*, to repudiate the Austrian debts. The Germans, however, were unwilling to concede to the British demand. Only after Britain had threatened to suspend the Payments Agreement did the Germans give in and promise to increase their purchases of finished goods from Britain and to engage in further trade talks. Ashton-Gwatkin welcomed the agreement in part because it had made it easier for "reasonable people in Germany to exert their influence."[88] And Robert Hudson, parliamentary secretary at the Department of Overseas Trade, believed that a comprehensive economic agreement extending beyond the Payments Agreement "would obviously have great possibilities as a stepping stone to political appeasement."[89] Nevertheless, it is difficult to regard the Payments Agreement, which was signed on July 1, 1938, as an example of economic appeasement, since all during the negotiations, the British

going to lead to a surrender of any part of our commercial position (with which our political influence is so closely bound up)." For a discussion, see Scott Newton, *Profits of Peace: The Political Economy of Anglo-German Appeasement* (Oxford: Clarendon Press, 1996), 99–100; Newman, 79–82; and MacDonald (fn. 21), 126–27.

[86] Rock (fn. 22), 43.

[87] The agreement obligated Germany to use 55 percent of the sterling it earned from exports to Britain to buy British and colonial goods. This arrangement was clearly in Britain's economic interest and was not linked to German political concessions. Schmidt (fn. 36), 167, 195; and MacDonald (fn. 44), 118.

[88] MacDonald (fn. 21), 116–17; and Wendt (fn. 21), 466, 478.

[89] MacDonald (fn. 44), 80; and Wendt (fn. 21), 478.

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were concerned with furthering their economic interests, not with achieving higher-order political objectives. Thus, the historian C. A. MacDonald points out that Ashton-Gwatkin "emphasised the payments agreement as a means of increasing British exports." He goes on to say that "American critics . . . were justified in suspecting that economic self-interest had a large influence on British policy."[90]

The British focus on economic interests also was evident in a discussion, which preceded the negotiations with Germany, in which British policymakers disagreed on the size of the increase. The Board of Trade, representing export interests, initially advocated an increase from 55 percent to 70 percent. The Treasury and the Bank of England, with the interests of the City in mind, pushed instead for 60 percent. A lower percentage would have made it easier for Germany to service its own (and Austria's) loans. Although officials such as Hudson and Ashton-Gwatkin speculated that the agreement would strengthen the political position of moderate elements in Germany, there is no evidence that this reasoning affected the British position during the negotiations. On the contrary, the British threatened to suspend the Payments Agreement of 1934 despite the Berlin embassy's warnings that suspension would have negative political consequences.[91] Accordingly, it is no surprise that the final agreement embodied a purely economic compromise. Britain agreed to the lower limit of 60 percent in order not to give Germany a pretext to default on its loan payments. Germany also agreed to service its own as well as the Austrian loans, though at reduced interest rates.[92] Instead of offering economic concessions, then, Britain used its bargaining power to improve the 1934 Payments Agreement.

In October 1938, Sir Frederick Leith-Ross, the government's chief economic adviser, proposed a revision of Germany's payments agreements with Britain, France, and Holland, to allocate to Germany up to 25 percent more free foreign exchange. Germany could then use the

[90] MacDonald (fn. 21), 116; and idem (fn. 44), 80.

[91] Scott Newton argues that the British threat of suspension was designed by the government's chief economic adviser, Sir Frederick Leith-Ross, to help Schacht gain the upper hand against Nazi extremists and thus to reinforce his "struggle against economic isolationism." His source for this interpretation, however, is MacDonald, who merely notes that "Leith-Ross had threatened to suspend the Payments Agreement and institute unilateral clearing before Germany agreed to compromise on July 1, 1938. The German surrender under threat of strong economic action was generally claimed to parallel the surrender under threat of strong political action during the May crisis." Newton (fn. 85), 63; MacDonald (fn. 21), 116.

[92] Wendt (fn. 21), 467, 469, 476, 478; also MacDonald (fn. 21), 116. The interest rates on the German loans, set in 1924 and 1930, were much higher than the interest rates in Great Britain in 1938. Though the 1938 agreement reduced the interest rates on both the German and Austrian loans, they were still higher than the rates in Britain. See Wendt (fn. 21), 468, 476.

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exchange to increase its imports from central and southeastern Europe. The motives behind this proposal were varied. One purpose was to remove the sources of tension in this region. The British also hoped to increase British trade.[93] The Balkan states would use the currency from their increased trade with Germany to purchase British and colonial goods. Empire proceeds from its exports to the Balkans would in turn increase British exports to the Empire.[94] Another motive, MacDonald argues, was the desire to influence the German moderates by showing them the advantages of a liberal trade policy. A memorandum by Ashton-Gwatkin dated November 14, 1938, argued that "an agreement to free the exchanges would be at least as important and probably more valuable than an agreement to limit armaments. It is the key to the whole economic situation and perhaps the political situation as well." The Leith-Ross plan would have strengthened the hands of Schacht and Göring, who realized that autarky hurt Germany economically.[95] Although this interpretation may accurately reflect the position of Ashton-Gwatkin, in my view it does little to illuminate Leith-Ross's position or that of the British government as a whole. As head of the Inter-Departmental Committee on Central and South-Eastern Europe, Leith-Ross argued in favor of increasing trade with the Balkans mainly to maintain Britain's political influence in the region and to secure a reasonable return on British investments. Lord Halifax, who had succeeded Eden as foreign secretary, threw his support behind the committee's report, presented to him on October 26, 1938.[96]

Leith-Ross's activities as head of interdepartmental committee, formed in June 1938 to coordinate "the political and economic aspects" of British policy in central and southeastern Europe "with a view to ensuring that the maximum political advantage be extracted from the economic weapon,"[97] do not support the view that British policy was part of economic appeasement. His proposal to revise the payments agreements was designed to prevent the complete integration of the German and Balkan economies.[98] Although Chamberlain recognized Ger-

[93] Although British trade with the Balkans amounted to a little over 2 percent of its total trade, British business put pressure on the government to preserve trade with the region. Newman (fn. 85), 38; and MacDonald (fn. 21), 115.

[94] David E. Kaiser, *Economic Diplomacy and the Origins of the Second World War: Germany, Britain, France, and Eastern Europe, 1930–1939* (Princeton: Princeton University Press, 1980), 286–89; Newton (fn. 85), 87–89; and MacDonald (fn. 21), 118–119.

[95] MacDonald (fn. 21), 119.

[96] Newman (fn. 85), 45–48.

[97] Ibid., 40–41.

[98] MacDonald, citing Bernd-Jürgen Wendt, argues that the prevention of complete integration was one motive underlying Leith-Ross's proposal. MacDonald (fn. 21), 118–19; also Newman (fn. 85), chap. 3. In contrast, Newton argues that Chamberlain was prepared to recognize German economic

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many's special position in southeastern Europe in the House of Commons on November 1, 1938, he argued in the Cabinet on November 22, 1938, that "it was desirable to stop Germany from obtaining complete economic control of this area." The problem was that it was difficult to do so without creating the impression in Germany of economic encirclement.[99]

The historian Simon Newman argues that Great Britain pursued a series of economic policies designed to prevent German domination of southeastern Europe. One example is the loan to Turkey that the Cabinet supported "for political purposes" in May 1938. The loan was designed to counter German influence in Turkey, which would threaten the Middle East and Britain's ability to maintain links with India and the Far East.[100] Again to counter German influence, this time in Romania, Britain also bought two hundred thousand tons of Romanian wheat.[101] Granted, the importance of these and other measures should not be exaggerated. Although they do show that Great Britain was not prepared to grant Germany "an economic free-hand in South-East Europe," their importance was nevertheless bound to be marginal given Germany's geographical and economic advantages.[102] Several motives, therefore, seem to have prompted Leith-Ross to propose to revise the payments agreements. Economic appeasement was, however, not an important motive.

It is true that J. H. Magowan, the commercial attaché at the British embassy in Berlin, warned in December 1938 that Germany was using the Payments Agreement to buy raw materials essential to its rearmament effort. Leith-Ross countered this argument by claiming that Great Britain received significant economic benefits from the agreement and that its "abrogation would be almost, if not quite, as disadvantageous to us as to Germany." Other officials pointed out that whereas Germany would be able to find other sources for the coal and textiles it received from Britain, the machine tools and machinery that Great Britain received in return, important to the British rearmament effort, would be difficult to replace.[103]

Magowan's proposal would have amounted to economic sanctions and opened up the possibility of a trade war with Germany. At this

predominance in southeastern Europe, which may suggest that this could not have been an important motive. Newton (fn. 85), 88–89.

[99] Kaiser (fn. 94), 287; and Newman (fn. 85), 50, 52.

[100] Newman (fn. 85), 41–42.

[101] Ibid., 44–45. Germany had agreed to buy four hundred thousand tons.

[102] Ibid., 43–44, 56–57. For other proposals to increase British economic and thus political influence in the Balkans, see ibid., 49–52.

[103] Ibid., 82–84; Newton (fn. 85), 91–93; and MacDonald (fn. 21), 121, 127.

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time, the British government was by no means willing to contemplate such a possibility, especially as Chamberlain had still not given up hope of reaching an accommodation with Germany.[104] It would be wrong to see the rejection of Magowan's view as an example of economic appeasement, however. After all, there is a difference between granting economic concession to promote political appeasement and refraining from imposing economic sanctions.

Economic considerations motivated the British attempts to conclude a coal agreement with Germany in 1938.[105] British coal exports had declined by 20 percent since 1933. The German policy of subsidizing the export of coal at uneconomic prices was at least partially responsible for this decline, as argued in a memorandum drawn up in the Mines Department of the Board of Trade in November 1938. The British threatened that Britain would be forced to subsidize its own coal export, leading the two countries into a "price-cutting war with all its consequences," which would damage both economies. The British government therefore proposed to establish an international coal cartel to divide the exports markets for coal among the European coal exporters. To sugarcoat the pill, the British held out the prospect of freer foreign exchange. Although German exports would decline, the Board of Trade claimed, Germany was still likely to "earn *more* foreign currency than before."[106] According to MacDonald, this move is another example of economic appeasement.[107] Yet one could easily see this as a purely economic quid pro quo: in exchange for a reduction of German export subsidies, Britain was willing to accept "the German point of view that German sales, even though the volume of exports be less, must earn as much foreign currency as before." The British government's threat to start a price-cutting war against Germany if German negotiators did not give in hardly supports the view that the agreement is an example of economic appeasement. The cartel that was created in January 1939 allocated 32.08 percent of total European exports of coal, coke, and briquettes to Germany and 46.27 percent to Great Britain. The basis for

[104] MacDonald (fn. 21), 121; Newman (fn. 85), 84; and Newton (fn. 85), 93.

[105] The Mining Association of Great Britain and the Rheinisch-Westfälischen Kohlensyndikats concluded a coal agreement in January 1939. As Wendt points out, without participation from other European exporters, however, the agreement would have been of little consequence. Wendt (fn. 21), 548.

[106] The German Economic Mission in Great Britain to the Foreign Ministry, November 7, 1938, DGFP, D, vol. 4, no. 263 (emphasis in the original); and *Documents on British Foreign Policy*, 3d series, vol. 4, 138 n. 1. Whereas the ratio of British to German coal exports had favored Britain 5:3 in 1933, the ratio was 1:1 in 1937.

[107] MacDonald (fn. 21), 119–20. The British mining industry in 1936 had rejected the export ratio (50 percent) allocated to Britain that became part of the 1939 coal agreement. Wendt (fn. 21), 546. In this sense, the agreement constituted a concession to Germany.

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this allocation was the 3:5 export ratio that had existed in 1933.[108] It is important to distinguish between economic "concessions" offered while bargaining over economic questions and those offered in exchange for a political settlement.[109]

Moreover, even MacDonald admits that British economic concessions were dependent on Germany's moderating its foreign policies. Prominent British policymakers such as Chamberlain did not think that economic concessions could bring about a political rapprochement but, on the contrary, that concessions depended on the prior solution of political conflicts in Europe.[110] Even to Anthony Eden, who perhaps more than most top officials was enamored of the arguments of the economic appeasers,[111] economic assistance should only be given "in return for, and subsequent to, a general political settlement."[112] A political settlement would have to precede better economic relations because the British wanted to avoid creating the impression that they negotiated from weakness and to avoid giving away valuable bargaining chips. The same reasoning also led them to reject arms limitation in advance of a political settlement.[113] Economic concessions, in other words, were possible only if Germany no longer had the role of a rival in British grand strategy.

Chamberlain, in a speech on February 22, 1939, did argue that the coal agreement and further economic talks would eventually lead to arms limitation and peace. At the time, however, he believed that "Hitler and Ribbentrop, so far from hatching schemes against us, are searching round for some means of approaching us without the danger of a snub."[114] Thus, the optimistic belief that political relations had already improved provided the impetus for Chamberlain's speech. Although Chamberlain tried in this and later speeches to convince the Germans of Britain's benevolent intentions, better economic relations still depended on better political relations.[115] In concrete terms, this de-

[108] Newton (fn. 85), 98; The Ambassador in Great Britain to the Foreign Ministry, January 28, 1939, DGFP, D, vol. 4, no. 303; and Memorandum by an Official of the Economic Policy Department, February 7, 1939, DGFP, D, vol. 4, no. 310.

[109] Schmidt (fn. 36), 194.

[110] MacDonald (fn. 44), 18, 23, 26, 29–30; and Newman (fn. 85), 54–55.

[111] Schmidt (fn. 36), 209; and Schröder (fn. 21), 85.

[112] Schmidt (fn. 36), 202 n. 494, 206, 209, 213.

[113] MacDonald (fn. 44), 18, 23.

[114] Ibid., 128–31, 137; and R. A. C. Parker, *Chamberlain and Appeasement: British Policy and the Coming of the Second World War* (London: Macmillan, 1993), 195–96.

[115] In an interview with the Parliamentary Lobby correspondents on March 9, 1939, Chamberlain said he was considering calling a European arms-limitation conference. If such a conference were successful, its scope could be expanded to include agreements on economic questions and colonies, although "any Colonial offer made by Britain would, of course, be part of a general European

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pendence meant that Germany must give up rearmament and its aggressive policies.[116]

The evidence, then, supports Schmidt's contention that "the strategies of economic appeasement . . . were not determining Britain's official foreign policy as a whole or in essential parts."[117] Rather than a strategy of economic appeasement, Britain followed a political approach toward Germany in the 1930s, an approach that held that German political moderation must precede British economic concessions, not the other way around, as the proponents of economic appeasement imagined.

Generally, in British foreign policy in the 1930s, politics, not economics, was in the driver's seat. No one put this viewpoint better than Chamberlain himself when he argued in 1938 that he "disagree[d] with some who think you can solve political difficulties by removing economic thorns from the flesh. Politics in international affairs govern actions at the expense of economics, and often of reason."[118] Although the British pursued a policy of political appeasement, neither Chamberlain nor the British government as a whole was an advocate of economic appeasement, if by that we mean granting "piecemeal economic concessions to buy off the dictators" in advance of a political or general settlement.[119]

Conclusion and Implications

Discriminatory foreign economic policies are grand strategic instruments. Trade preferences, for instance, enable policymakers to strengthen support for an alliance among domestic interests in the allied country, thus making it more difficult for policymakers in the allied country to renege on their alliance commitments. Because trade preferences may meet with opposition from import-competing industries in the donor country and because of international repercussions, preferences carry with them both domestic and international political costs. Because the strategic benefits of preferences are greater for countries in need of support from their allies, such countries are more likely to adopt them than are countries that can go it alone without support from their allies. Discriminatory policies allow great powers to

settlement." Newman (fn. 85), 85–86. This suggests that Chamberlain was still not prepared to make economic concessions in advance of a German disarmament and a general political settlement.

[116] MacDonald (fn. 44), 165; Newman (fn. 85), 87; also Reynolds (fn. 24), 8.

[117] Schmidt (fn. 36), 93, also 146–47.

[118] Crozier (fn. 73), 257.

[119] A general settlement would, of course, also involve the resolution of disputes over economic policy.

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strengthen alliance relations and thus the deterrence of rival powers. Variation in the need for military and political support from military allies affects the degree to which foreign economic policies will discriminate in favor of military allies and against adversaries and other countries. This variation explains why Britain was prepared to grant trade preferences to the United States, but not to France, though both countries were potential allies. Variation in need also explains why the British were more willing to grant trade preferences to the United States following the rapidly deteriorating strategic situation in 1935 and 1936. In granting preferences, the British hoped to strengthen domestic support in the United States for closer political relations between the two countries and so deter a German attack. Finally, London's economic policy toward Germany is consistent with the claim that great powers will not offer their adversaries preferential economic treatment.

Broadly, this article has argued that political elites will attempt to affect the level of economic interdependence with their military allies—both existing and potential—by pursuing policies that discriminate in favor of such allies. Economic interdependence, that is, is a dependent variable. In this respect, the argument differs from the extant literature on economic interdependence, which has tended to regard interdependence as an independent variable.[120] A good illustration of the latter view is Papayoanou's recent argument that the level of economic interdependence with allies and adversaries will influence the strategies powers adopt. For Papayoanou the level of economic interdependence is a constraint on policy and not a strategic tool that powers can manipulate to pursue a grand strategy adopted for strategic reasons. An example illustrates the difference between these two arguments: Papayoanou states that his argument "helps account . . . for the development of the Franco-Russian alliance in the 1890s."[121] Yet as I have shown elsewhere,[122] the level of trade interdependence between France and Russia was low, and the interdependence in financial affairs that existed was the conscious creation of French strategists to reflect a strategic assessment made in a period when interdependence was very low. Both French and British strategy show that we need to think of foreign economic policies as grand strategic instruments that are available to policymakers and not just as constraints on strategy.

[120] For a thorough review of the debate regarding economic interdependence, see Arthur A. Stein, "Governments, Economic Interdependence, and International Cooperation," in Philip Tetlock et al., eds., *Behavior, Society and International Conflict*, vol. 3 (New York: Oxford University Press, 1993).

[121] Paul A. Papayoanou, "Interdependence, Institutions, and the Balance of Power: Britain, Germany, and World War I," *International Security* 20 (Spring 1996), 51.

[122] See Skālnes (fn. 8).

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Review Articles

THE RISE OF INTERNATIONAL ENVIRONMENTAL POLITICS
A Review of Current Research

By MICHAEL ZÜRN*

Nazli Choucri, ed. *Global Accord: Environmental Challenges and International Responses.* Cambridge: MIT Press, 1993, 410 pp.

Peter Haas, Robert O. Keohane, and Marc A. Levy, eds. *Institutions for the Earth: Sources of Effective International Environmental Protection.* Cambridge: MIT Press, 1993, 448 pp.

Thomas Princen and Matthias Finger. *Environmental NGOs in World Politics: Linking the Local and the Global.* London and New York: Routledge, 1994, 262 pp.

Lawrence E. Susskind. *Environmental Diplomacy: Negotiating More Effective Global Agreements.* Oxford: Oxford University Press, 1994, 224 pp.

Oran R. Young and Gail Osherenko, eds. *Polar Politics: Creating International Environmental Regimes.* Ithaca, N.Y.: Cornell University Press, 1993, 276 pp.

Oran R. Young. *International Governance: Protecting the Environment in a Stateless Society.* Ithaca, N.Y.: Cornell University Press, 1994, 221 pp.

INTRODUCTION

THE study of environmental politics, a policy area that originated in the early 1970s, has seen remarkable growth over the last decade, reflecting a rising concern about ecological problems.[1] Impor-

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[1] Joseph L. Badacaracoo, Jr., *Loading the Dice: A Five-Country Study of Vinyl Chloride Regulation* (Cambridge: Harvard Business School Press, 1985); Peter Knoepfel and Helmut Weidener, *Luftreinhaltepolitik im internationalen Vergleich*, 6 vols. (Berlin: Sigma, 1985); David Vogel, *National Styles of Regulation: Environmental Policy in Great Britain and the United States* (Ithaca, N.Y.: Cornell University Press, 1986); Ronald Brickman, Sheila Jasanoff, and Thomas Ilgen, *Controlling Chemicals: The Politics of Regulation in Europe and the United States* (Ithaca, N.Y.: Cornell University Press, 1985);

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tant comparative studies on environmental policies were undertaken soon after the rise of environmental politics, and the mid-1980s saw the beginnings of significant research on international environmental politics. Today research on international environmental politics has become a veritable growth industry. It is no exaggeration to state that the developments leading to the ozone regime, to the regime for long-range transboundary air pollution in Europe, and to the regime on the politics of global climate change are three of the most carefully analyzed issues in contemporary international politics.

This article seeks to take stock of the field of international environmental politics during a transitional stage. In the 1980s a first generation of studies identified the preeminence of the environment for the analysis of international relations.[2] These early studies established international environmental policy as a core field that touches on all the major issues in the study of international politics, including peace and war, conflict and cooperation, international institutions, the comparison of foreign policies, and specific policy questions. The second generation of studies broadened both the scope of the issues and the empirical observations in the field. With this more recent work the field in a sense emancipated itself from the political analysis of security and economics. In addition to applying the concepts and questions of these traditional policy areas, the study of environmental politics developed concepts and questions of its own that some consider to be more appropriate to an understanding of the ongoing transformation of international politics. International and transnational institutions, transnational social movements and sovereignty-free actors, epistemic communities, and rational discourses have all received especially careful analysis with respect to international environmental politics. Some go so far as to suggest that "the world environmental domain clearly precedes and causes the formation of generalized national structures that formalize and manage the issues involved."[3] Second-generation studies

Adrienne Héritier et al., *Staatlichkeit in Europa: Ein regulativer Wettbewerb: Deutschland, Großbritannien, Frankreich in der Europäischen Union* (Opladen: Leske & Budrich, 1994); James K. Sebenius, *Negotiating the Law of the Sea* (Cambridge: Harvard University Press, 1984); OECD, ed., *Environmental Indicators* (Paris: OECD Publications, 1994).

[2] A seminal treatment is David A. Kay and Harold K. Jacobson, eds., *Environmental Protection: The International Dimension* (Totowa, N.J.: Allanheld, Osmun, 1983). Oran R. Young, *International Cooperation: Building Regimes for Natural Resources* (Ithaca, N.Y.: Cornell University Press, 1989), put the study of international environmental politics into the context of regime analysis. Lynton Keith Caldwell, *International Environmental Policy: Emergence and Dimensions,* 2d ed. (Durham N.C.: Duke University Press, 1990), offers a broad and very informative descriptive account of environmental politics.

[3] See John W. Meyer et al., "A World Environmental Regime, 1870–1990," *International Organization* 51, no. 4 (1997), 638.

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typically utilized qualitative designs, comparing a low number of cases in a more or less focused way in order to draw suggestive theoretical conclusions.[4] With a notable number of large-scale projects in progress,[5] we can expect in the near future a third generation of studies that will more rigorously and systematically test theoretical notions and hypotheses about international environmental politics.

This review essay focuses on the most important contributions of the second generation by identifying five research themes: (1) holistic perspectives, (2) agenda setting, (3) regime formation, (4) regime effects, and (5) transnational networks. All of these themes are based on a postrealist consensus which holds that international institutions do matter, world politics is much more than intergovernmental politics and includes a wider range of actors than states, and world politics is not only about power and material interests but is also about nonmaterial interests, ideas, knowledge, and discourses. This review essay eval-

[4] The books reviewed in this article are a selection from a vast literature. Other important recent American contributions include Richard Elliot Benedick, *Ozone Diplomacy: New Directions in Safeguarding the Planet* (Cambridge: Harvard University Press, 1991); Edith Brown Weiss, ed., *Environmental Change and International Law: New Challenges and Dimensions* (New York: United Nations University Press, 1992); Andrew Hurrell and Benedict Kingsbury, eds., *The International Politics of the Environment: Actors, Interests and Institutions* (Oxford: Clarendon Press, 1992); Caroline Thomas, *The Environment in International Relations* (London: Chatham House, 1992); Tony Brenton, *The Greening of Machiavelli: The Evolution of International Environmental Politics* (London: Royal Institute of International Affairs, 1994); Ronnie Lipschutz and Ken Conca, eds., *The State and Social Power in Global Environmental Politics* (New York: Irvington, 1993); Ronald B. Mitchell, *Intentional Oil Pollution at Sea: Environmental Policy and Treaty Compliance* (Cambridge: MIT Press, 1994); John Vogler and Mark F. Imber, eds., *The Environment and International Relations* (New York: Routledge, 1996); Miranda A. Schreurs and Elizabeth Economy, eds., *The Internationalization of Environmental Protection* (Cambridge: Cambridge University Press, 1997); Marvin S. Soroos, *The Endangered Atmosphere: Preserving a Global Commons* (Columbia: University of South Carolina Press, 1997).

There is also a body of work about the formation, consequences, and dynamics of international environmental politics that was done in Scandinavia and on the Continent. For some of the more important contributions, see Helmut Breitmeier, *Wie entstehen globale Umweltregime?* (Opladen: Leske & Budrich, 1995); Thomas Gehring, *Dynamic International Regimes: Institutions for International Environmental Governance* (Frankfurt am Main: Peter Lang, 1994); Thomas Gehring and Sebastian Oberthür, eds., *Internationale Umweltregime: Umweltschutz durch Verhandlungen und Verträge* (Opladen: Leske & Budrich, 1997); Thorsten Görrissen, *Grenzüberschreitende Umweltprobleme in der internationalen Politik: Durchsetzung ökologischer Interessen unter den Bedingungen komplexer Interdependenz* (Baden-Baden: Nomos, 1993); Markus Jachtenfuchs, *Ideen und Interessen: Weltbilder als Kategorien der politischen Analyse* (Mannheim: Mannheimer Zentrum für Europäische Sozialforschung, 1993); Martin List, *Umweltschutz in zwei Meeren: Vergleich der internationalen Zusammenarbeit zum Schutz der Meeresumwelt in Nord- und Ostsee* (Munich: Tuduv, 1991); André Nollkamper, *The Legal Regime for Transboundary Water Pollution: Between Discretion and Constraint* (Dordrecht and Boston: Martin Nijhus, 1993); Volker von Prittwitz, *Das Katastrophenparadox: Elemente einer Theorie der Umweltpolitik* (Opladen: Leske & Budrich, 1990); Udo E. Simonis, *Beyond Growth: Elements of Sustainable Development* (Berlin: Edition Sigma, 1990); Gunnar Sjöstedt, *International Environmental Negotiation* (London: Sage, 1993); Jørgen Wettestad and Steinar Andresen, *The Effectiveness of International Resource Cooperation: Some Preliminary Findings* (Lysaker: Fridtjof Nansen Institute, 1991).

[5] Oran Young and Konrad von Moltke, "The Consequences of International Environmental Regimes: Report from the Barcelona Workshop," *International Environmental Affairs* 6, no. 4 (1994); the work reports on eleven such large-scale projects.

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uates each of the five research themes according to three criteria. First, does the theme raise relevant and interesting questions? Second, does it contribute to answering the questions that drive the research? And third, does the work lead to a theoretical core that is sound enough to generate cumulative research and that influences the analysis of international relations more broadly? Which of these five themes, that is, has the potential to stimulate cumulative research and to provide theoretical concepts that can advance our understanding of international politics in general?

The conclusion is that two of the themes, namely, holistic thinking and agenda setting, at this point do not show the potential for an enduring research program; they are therefore only briefly discussed in Section I. Another of the themes, the study of the formation of environmental regimes, significantly contributes to an ongoing research program but does not constitute one of its own (Section II). The study of the last two themes—regime effectiveness (Section III) and knowledge-based transnational networks (Section IV) has the most potential for producing an enduring research program. The former theme has the potential to demonstrate convincingly *how* regimes matter. In doing so, this strand of research roundly supports the minimal institutionalist claim that regimes do matter. At the same time, it offers strategies for going beyond this purely academic claim and for answering the questions whether design matters and what types of regime design are most effective. In this area of research, the study of international environmental politics has already generated new perspectives that clearly increase our understanding of institutions in international relations and thus nurture the neoinstitutionalist research program. The work on transnational networks cuts across the other four themes in having benefited all of them. However, besides contributing to other research themes, the work on transnational networks also has a focus of its own. It concerns the weight of ideas, the significance of communication along transnational lines, and the capacity of nongovernmental groups to influence outcomes in international politics.

I. Themes in the Study of International Environmental Politics

As Oran Young writes in *International Governance*, modern science owes much of its success "to patterns of thought that encourage the disaggregation of problems into their component parts and reward efforts to tackle individual issues piecemeal" (p. 47). He contrasts this analyti-

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cal perspective with holistic or "ecological perspectives, which stress interdependencies and linkages among large clusters of factors." These holistic perspectives (1) constitute an important theme in the study of international environmental politics, one that is also reflected in the volumes under review. However, most of the reviewed works clearly take an analytical perspective. To a large extent, they can be grouped by utilizing the policy cycle, since they focus on different stages of the cycle: agenda setting (2), policy formulation or regime formation (3), and policy implementation and evaluation or regime effects (4).[6] A final theme in the analytical tradition focuses on the role of specific actors instead of on certain stages in the policy process: on transnational nongovernmental organizations (5).

The Holistic Perspective

The volume edited by Choucri most explicitly takes a holistic perspective and is thus representative of the first of the themes that recur in the literature. The cover text characterizes the book as "the first holistic assault on a complex set of environmental issues." Accordingly, "a major purpose of this book is to develop an integrated conceptual framework linking natural and social systems, thus to reverse the tendency to abstract humanity from nature" (p. 3). To this end, Choucri's introduction provides a scheme for mapping all the contributions to the volume, one that distinguishes different dimensions of the topic on the one hand (intellectual orientations, policy concerns, and institutional responses) and different perspectives on the other (conservative, incrementalist, and transformative). While the map serves to organize some of the ideas, it does not really tie the contributions into a productive whole, since it charts them only in relation to the social system but does not explore the relationship between environmental destruction and politics. Therefore Thomas F. Homer-Dixon's excellent chapter on the question "What will the world environment be like in the next decades if we continue with business as usual?" is not much more than an overture, distinct from all the other contributions.[7] His conclusions are based on the assumption that in the social sphere there are neither any changes for the better, for instance through technological developments or the greening of international relations, nor any for the worse, for instance a major war with disastrous environmental consequences. These

[6] For well-developed policy conceptualizations, see Adrienne Windhoff-Héritier, *Policy-Analyse: Eine Einführung* (Frankfurt am Main: Campus, 1987); and Wayne Parsons, *Public Policy: An Introduction to the Theory and Practice of Policy Analysis* (Aldershot: Edward Elgar, 1995).

[7] Homer-Dixon, "Physical Dimensions of Global Change," 43.

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are reasonable assumptions to work with if the aim is to highlight some isolated trends, but it is quite the opposite of Choucri's call to strive to get at the interaction between social and natural systems.[8] The Choucri volume also contains less ambitious forms of holistic thinking that provide important insights.[9]

Other interesting fields of research that are not broadly covered in the reviewed volumes also come out of this holistic tradition. Most prominent among these are ecofeminism,[10] the relationship between underdevelopment, environmental degradation and war,[11] sustainable development,[12] and even some of the work about trade and environment.[13] Overall, however, holistic perspectives have so far failed to provide reliable answers to the issues they have raised. To a large extent this is because a theoretical core that would allow for comparative empirical

[8] The omission of technological change seems to be the one with the most distorting effects. For an argument that technology can spare the earth, see Jesse H. Ausubel, "Can Technology Spare the Earth?" *Environment* 37, no. 5 (1995).

[9] The following are the most important examples in the Choucri volume. Nazli Choucri and Robert North, "Growth, Development, and Environmental Sustainability: Profiles and Paradox," inquires into the interrelationship between what the authors consider the three "master variables" of development—natural resources, technology, and labor. Hayward R. Alker, Jr., and Peter M. Haas, "The Rise of Global Ecopolitics," considers environmental worldviews; the authors identify the Russian scientist Vladimir Vernadsky, the Braudelian post-Marxist histories of global change, and the neo-Malthusians as the key forerunners of ecoholistic views. Francisco R. Sagasti and Michael E. Colby, "Eco-Development Perspectives on Global Change from Developing Countries," write on five paradigms of ecodevelopment that may transform and restructure future world politics; specifically, they identify the frontier economics paradigm (nature serves humans and is free of charge), the deep ecology paradigm (humans are subservient to nature), the environmental protection paradigm (add-on solutions to specific problems), the resource-management paradigm (value ecology), and the ecodevelopment paradigm (codevelopment of society and ecology). See also Willett Kempton, James S. Boster, and Jennifer A. Hartley, *Environmental Values in American Culture* (Cambridge: MIT Press, 1995).

[10] Maria Mies and Vandana Shiva, *Ecofeminism* (Halifax, Nova Scotia: Fernwood, 1994); Irene Diamond and Gloria Feman Orenstein, eds., *Reweaving the World: The Emergence of Ecofeminism* (San Francisco: Sierra Club Books, 1990).

[11] See the contributions in Sean M. Lynn-Jones and Steven E. Miller, eds., *Global Dangers: Changing Dimensions of International Security* (Cambridge: MIT Press, 1995); Günther Bächler et al., *Umweltzerstörung—Krieg oder Kooperation? Ökologische Konflikte im internationalen System und Möglichkeiten der friedlichen Bearbeitung* (Münster: Lit Verlag, 1993); and Günther Baechler, "Violence through Environmental Discrimination: Causes, Rwanda Arena, and Conflict Model" (Ph.D. diss., University of Bremen, 1997).

[12] See David Pearce and James Warford, *World without End: Economics, Environment, and Sustainable Development* (Oxford: Oxford University Press, 1993). A critical survey can be found in Helmut Breitmeier, "Umweltforschung im Schlepptau der Politiker? Abschied vom Konzept der 'Nachhaltigen Entwicklung' und Aufbruch zu mehr Effektivität in der internationalen Umweltpolitik," in Martina Haedrich and Werner Ruf, eds., *Globale Krisen und europäische Verantwortung: Visionen für das 21. Jahrhundert*, Schriftenreihe der Arbeitsgemeinschaft Friedens- und Konfliktforschung, vol. 23 (Baden-Baden: Nomos, 1996), 132–45.

[13] See, for example, Annette Baker "Environment and Trade: The NAFTA Case," *Political Science Quarterly* 110, no. 1 (1995); Steve Charnovitz, "GATT and the Environment: Examining the Issues," *International Environmental Affairs* 4 (1992); and Carsten Helm, *Sind Freihandel und Umweltschutz vereinbar? Ökologischer Reformbedarf des GATT/WTO-Regimes* (Berlin: Edition Sigma, 1995). With regard to the EU, see David Vogel, *Trading Up: Consumer and Environmental Regulation in a Global Economy* (Cambridge: Harvard University Press, 1995).

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research is simply missing. Consequently, a holistic research program that is fed by thought-provoking preliminary answers and not just by questions is as yet not in sight. The complex interplay between the natural and the social world is still not adequately comprehended and is at this point not a candidate for an enduring research program.

Agenda Setting

From an analytical point of view, a first set of questions about international environmental policy concerns agenda setting. How did environmental issues gain a place on the agenda of international politics? Why did some environmental issues rise quickly to the top of the international political agenda while others took much longer? Unfortunately, this field of research has so far remained underdeveloped. To be sure, after 1972, that is, after the Stockholm Intergovernmental Conference (considered by most analysts to be a milestone in relations in international environmental politics), the growth rate of international environmental agreements increased significantly and the content of those agreements changed toward more substantive regulation, a process that even accelerated in the second half of the 1980s.[14] Often, the window of opportunity presented by the end of the cold war, the activities of nongovernmental organizations (NGOs) both on the national and on the international level or, alternatively, by powerful governments pressed by concerned publics under the influence of perceived environmental crises are seen as additional contributions to the current diplomatic profile of environmental issues.[15]

Although these are all plausible reasons for the rise of environmental politics, they are mainly the result of ad hoc reasoning. Moreover, they fail to explain why some environmental issues (for example, the climate) made it to the top of the international agenda, while others (for example, the degradation of agricultural land) barely made it at all. In

[14] Peter M. Haas with Jan Sundgren, "Evolving International Environmental Law: Changing Practices of National Sovereignty," in Choucri, *Global Accord*. The authors evaluate 132 multilateral treaties drawn from UNEP's register of international treaties. More than 50 percent of these treaties were signed after 1972.

[15] See especially the following studies in Haas, Keohane, and Levy, *Institutions for the Earth:* Edward A. Parson, "Protecting the Ozone Layer"; Marc A. Levy, "European Acid Rain: The Power of Tote-Board Diplomacy"; Peter M. Haas, "Protecting the Baltic and North Seas"; and M. J. Peterson, "International Fisheries Management." See also Caroline Thomas (fn. 4), pt. 1; and Peter M. Haas, *Saving the Mediterranean: The Politics of International Environmental Cooperation* (New York: Columbia University Press, 1990). Both argue that the importance of epistemic communities in international environmental policy derives to a large extent from their ability to shape the agenda. For an argument that the current profile is shaped by factors emphasized by the sociology of risks rather than by scientifically defined urgency, see Michael Zürn and Ingo Take, "Weltrisikogesellschaft und öffentliche Wahrnehmung globaler Gefährdungen," *Aus Politik und Zeitgeschichte*, Supplement, 24–25 (1996), 3–12.

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general, agenda-setting studies in international environmental politics have so far failed to provide satisfying answers. Although this theme remains an important research topic, certainly no productive research program has yet emerged from it.

Regime Formation

The conditions under which international environmental negotiations are successful and lead to the formation of an international regime have attracted much more scholarly attention. Under what conditions do international environmental regimes arise? How long does the process of regime formation take? Are there regimes with a certain content that form more easily and faster than others? What elements of the negotiation process are conducive to regime formation? What are the lessons for practitioners interested in environmental regime building?[16] I will discuss these questions in Section II.

Regime Consequences

Recently, scholars have increasingly discussed regime consequences and how they affect the political and natural environment. Do international environmental regimes matter? How does an international regime become effective? Are binding obligations better than nonbinding rules? What is the role of compliance and rule enforcement for regime effectiveness? These issues will be discussed in Section III.

Transnational Networks

Finally, the role of transnational networks is analyzed in a number of important contributions. Do nongovernmental organizations (NGOs) play a special role in international environmental politics? Do epistemic communities play a consequential role in the origin and diffusion of ideas and consensual knowledge? Does the need for international cooperation give transnational coalitions more authority than before? These questions will be dealt with in Section IV.

[16] International regimes are *social institutions* consisting of agreed-upon principles, norms, rules, and programs that govern the interactions of actors in specific issue-areas. Defined in this way, regimes are distinct from international law in that they are more rooted in social practice than in general normative principles. International regimes can govern illegal activities (especially informal ones) and rely on a broader set of obligations for rule compliance. However, international regimes and international law are by no means mutually exclusive, and the main difference between the study of international regimes and the study of international law is a result of the different perspectives of different disciplines. For a discussion of an appropriate definition of international regimes, see Marc A. Levy, Oran R. Young, and Michael Zürn, "The Study of International Regimes," *European Journal of International Relations* 1, no. 3 (1995). For a comprehensive review of the literature on regime formation, see Andreas Hasenclever, Peter Mayer, and Volker Rittberger, *Theories of International Regimes* (Cambridge: Cambridge University Press, 1997).

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II. Regime Formation

The growth rate of international environmental regulation has increased impressively over the last two decades. While the overall number of international treaties and international organizations more generally grew at a very modest rate, the number of international environmental institutions almost doubled after 1975.[17] This observation raises the questions of why this was so and which conditions are conducive to the emergence of international environmental regimes.

Regime formation has emerged as one of the central concerns of neoinstitutionalism. The study of international environmental regimes first followed this course, successfully appropriating concepts as well as hypotheses used to explain regime formation in the fields of security and economics.[18] Thus, for example, Gail Osherenko, Oran Young, and their colleagues in *Polar Politics* draw upon work on the determinants of success or failure in efforts to form regimes and apply it to their own research on the state of the environment in the Arctic.[19] The factors examined come under four groupings: power-based hypotheses, interest-based hypotheses, knowledge-based hypotheses, and contextual factors. And the results overall are largely consistent with those of empirical studies on regime formation in general. In addition, this study puts forward some additional propositions of general interest.

The Role of Individual Leadership

None of the cases studied offers strong support for the proposition that success in regime formation requires the participation of a hegemonic power, as the theory of hegemonic stability assumes.[20] Instead, as Young and Osherenko write: "Our examination of leadership not only suggests to us that leadership exercised by individuals is a necessary condition for regime formation, but it also allows us to formulate a

[17] See Haas and Sundgren (fn. 14).

[18] See, for example, Martin List and Volker Rittberger, "Regime Theory and International Environmental Management," in Hurrell and Kingsbury (fn. 4); the authors explain regime formation using a set of factors that was developed "in a larger project on 'International Regimes in East-West Relations.'"

[19] See, in *Polar Politics*, Gail Osherenko and Oran R. Young, "The Formation of International Regimes: Hypotheses and Cases." The cases taken up in the book are North Pacific fur seals (Natalia S. Mirovitskaya, Margaret Clark, and Ronald G. Purver), the Svalbard Archipelago (Singh, Saguirian), polar bears (Fikkan, Osherenko, Arikainen), stratospheric ozone (Peter M. Haas), Arctic haze and transboundary air pollution (Marvin S. Soroos).

[20] The theory of hegemonic stability states that a hegemonic power must be existent before successful regime formation can take place. For good discussions, cf. Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics* 28 (April 1976); and Robert O. Keohane, "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967–1977," in Ole R. Holsti, Randolph M. Siverson, and Alexander L. George, eds., *Change in the International System* (Boulder, Colo.: Westview Press, 1980).

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more specific hypothesis for further examination, namely that the presence of one or more individuals acting as entrepreneurial leaders is necessary for regime formation to occur."[21] The hypothesis that leadership on the part of individuals is a necessary condition for regime formation highlights the creative or generative element that is often part of international negotiations.

One objection to this finding points to the design of *Polar Politics*. Essentially, the structured comparison in this study is based on the method of agreement—looking for common causes for common outcomes. While not a bad first step, this method does not enable the investigator to determine the relative importance of the causes. Moreover, without studying a set of causes with different outcomes (method of difference), one may easily identify as necessary conditions that are actually ubiquitous. The question then is whether some kind of leadership arises in any kind of institutional bargaining, regardless of its success or failure at the end of the day. To be sure, Young and Osherenko recognize this problem and use the method of difference to back their findings by incorporating subcases of the larger case studies: "In addition, both the lack of strong and consistent leadership in earlier attempts to form a regime for Svalbard and the absence of leaders to push for a regime to deal with Arctic haze reinforce the case for leadership as a necessary condition for regime formation.[22] However, this formulation raises questions about well-defined indicators for leadership that are independent of the outcome of the negotiations. It may be that people all too easily look for heroic leaders only in cases of success. To pursue this line of analysis effectively, it thus seems necessary to define a set of observable criteria that constitutes leadership behavior independent of the outcome. The role of different types of individual leadership may then be assessed comprehensively.

Institutional Bargaining

Individual leadership is part of the concept of "institutional bargaining," a form of bargaining aimed at consensus on institutional arrangements that are governed by inadequate knowledge about the payoff

[21] Oran R. Young and Gail Osherenko, "International Regime Formation: Findings, Research Priorities, and Applications," in Osherenko and Young, *Polar Politics*, 235. The concept of individual leadership is more broadly developed theoretically in Oran R. Young, "Political Leadership and Regime Formation: On the Development of Institutions in International Society," *International Organization* 45, no. 3 (1991); he distinguishes entrepreneurial, structural, and intellectual leadership.

[22] Osherenko and Young (fn. 19), 233.

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structure, the veil of uncertainty, and integrative bargaining.[23] The concept is based on a well-taken critique of a mode of rationalist theorizing that assumes "that (i) the identity of the participants is known at the outset and fixed during the course of negotiations, (ii) the alternatives or strategies available to the parties are fully specified, (iii) the outcome associated with every feasible combination of choices on the part of the participants is known, and (iv) the preference orderings of the parties over the outcomes are identifiable (at least in ordinal terms) and not subject to change."[24] Given these assumptions, this mode of rationalist reasoning suggests that actors will reach beneficial agreements whenever a zone of agreement exists; it thus regards the process of bargaining as unproductive. In contrast, Young emphasizes the problems actors have in reaping joint gains and considers the process of institutional bargaining as the key to understanding when actors are able to reach agreements and when they are not. He abandons the notions that the strategies available to the parties are fully specified, the participants know all conceivable outcomes, and the preference orderings are identifiable and fixed. The alternative model, "institutional bargaining," suggests that the central prerequisites for regime formation are a thick veil of uncertainty, the existence of solutions that are both salient and acceptable by all participants as equitable, the existence of clear-cut and reliable compliance mechanisms, exogenous shocks or crises, and individual leadership. This mode of thought therefore casts doubt on the constellation of interests conceptualized by game theory (payoff structure or situation structure) as a determinant of regime formation. The case studies in the Young and Osherenko volume clearly support this argument.

The concept of institutional bargaining is a constructive attempt to build on the rational choice perspective without losing touch with the complexity of the real world. While many game-theoretic analyses relate to important features of regime formation, there is no denying that behavior in the real world only loosely matches game-theoretic solution concepts. For rational choice theory to predict specific outcomes, equilibrium concepts (that is, those outcomes that are stable if completely norm free and if self-interested actors interact) need to constrain behavior. In institution building, however, the analytic problem is often

[23] An excellent chapter on the theoretical notion of institutional bargaining can be found in Young, *Institutional Bargaining*, 81–116.

[24] Ibid., 93.

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to explain why and how states move away from an equilibrium—to which end it makes sense to focus on negotiations and the role of information. Consequently, a useful approach would take solution concepts from rational choice theory, not as unqualified predictions of what will happen, but rather as indicators of a situation that may be transformed through negotiations. Such an approach may then be informed by both deductive reasoning and empirical observations.[25] Against this background, the question is posed whether Young simultaneously goes too far and not far enough in "softening" the rational choice approach. I will offer four more specific arguments to clarify this point.

THE CONSTELLATION OF INTERESTS

Without a doubt, not all actors in all negotiations have from the outset a complete picture of the constellation of interests such that they know all their opponents' preferences and behavioral options. Nevertheless, when actors sit down at the negotiation table, they have at least a rough idea about whom they are about to negotiate with, what they want to achieve, and what they can and cannot do. This is a case of "institutional bargaining or choice," a type of international interaction that involves formalized communication, conscious efforts on all sides to procure information, an acknowledgment of interdependence, and often a timetable of a decade or more.[26] The argument here is that even with incomplete knowledge about available strategies and conceivable outcomes at the beginning of the bargaining process, preferences may nonetheless be predetermined by the interest profile of the participating states and may develop during negotiations. Thus, in many cases it is possible to identify the constellation of interests that shapes the bargaining.[27]

Insofar as one can identify such material, it should be part of the explanation, for two reasons. First, to a considerable extent different

[25] Such an approach is pursued in Michael Zürn, *Interessen und Institutionen in der internationalen Politik: Eine Grundlegung des situationsstrukturellen Ansatzes* (Opladen: Leske & Budrich, 1992). See also Bernhard Zangl, "Politik auf zwei Ebenen: Hypothesen zur Bildung internationaler Regime," *Zeitschrift für Internationale Beziehungen* 1, no. 2 (1994).

[26] Young himself argues in another context: "It may well be that the independent force of ideas is greater during the prenegotiation stage than it is during the negotiation stage of regime formation. . . . In hard bargaining over the specific provisions of a convention or a treaty, however, ideas are more likely to be exploited for political advantage than to play an independent role in guiding the process" (*International Governance*, 98).

[27] In line with this observation, Fritz W. Scharpf, *Koordination durch Verhandlungssysteme: Analytische Konzepte und institutionelle Lösungen am Beispiel der Zusammenarbeit zwischen zwei Bundesländern*, MPIFG Discussion Paper, 91/4 (Cologne, 1991), 9. Scharpf states in an analysis of negotiations between the Länder in the FRG that "in general, participants as well as researchers are capable of reconstructing [the constellation of interests] with high reliability."

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constellations of interests influence the likelihood of success. In particular, those that create a high number of second-order problems (such as the verification of rule compliance or the sanctioning of noncompliance) are not very conducive to regime formation. Second, the constellation of interests at least partly determines the role of other factors, especially those emphasized by Young in his theory of "institutional bargaining." For instance, "clear-cut and reliable compliance mechanisms" do not necessarily increase "the probability of success in institutional bargaining" if the underlying constellation of interests resembles a coordination game and the incentives to cheat are low once an agreement is achieved, but they do if it resembles a dilemma game that allows for free riding. In contrast, salient solutions are more important in coordination games than in the Prisoners' Dilemma. I conclude that it is essential to take account of the underlying constellation of interests, even if the assumptions of the rational choice approach are overly rigid and should be avoided.

THE ROLE OF UNCERTAINTY

A central element in the concept of institutional bargaining is the veil of uncertainty. "The thicker the veil of uncertainty, the easier it will be for parties to approach the problem under consideration as an integrative exercise"[28] and the more likely a cooperative outcome will be. The assumption is that uncertainty makes fixed preferences impossible and thus facilitates integrative bargaining. However, many scholars—especially those representing the more policy-oriented community—think of uncertainty as a means for blocking interests and doing mischief.

These mutually contradictory positions suggest that the role of uncertainty needs to be explored in a much more conditional way. First, the role of uncertainty is obviously dependent upon whether or not the decision makers involved are risk averse.[29] Therefore the role of uncertainty in institutional bargaining may depend upon the different cultural backgrounds and personal characteristics of the participating decision makers. Moreover, instead of conceiving of a general veil of uncertainty clouding the whole process of institutional bargaining, it is necessary to distinguish between uncertainties regarding the cost and benefits of a cooperative outcome (consequences of a regime) and un-

[28] Osherenko and Young (fn. 19), 13.

[29] See Bruce Bueno de Mesquita, "Theories of International Conflict: An Analysis and an Appraisal," in Ted Robert Gurr, ed., *Handbook of Political Conflict: Theory and Research* (New York: Free Press, 1980). Bueno de Mesquita resolved the debate whether bipolar international systems are more stable than multipolar international systems by demonstrating that the answer depends on how willing the decision makers are to take risks.

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certainties with regard to the risks associated with a noncooperative outcome (consequences of the absence of a regime). It follows that a thick veil of uncertainty over the distribution of costs (and benefits) implied in the cooperative outcome may, in line with Young's thinking, be helpful in finding a cooperative solution. However, a high degree of uncertainty about the costs of a failure to reach an agreement seems to be a hindrance. For instance, most of the justification of the Bush administration's resistance in taking costly measures to reduce carbon dioxide outputs was based on this type of uncertainty. To make full use of the concept of uncertainty, it seems advisable to distinguish different dimensions of uncertainty and different contexts in which uncertainty arises and then to test the ensuing conditional hypotheses.

DISTRIBUTION OF JOINT BENEFITS

A similar point can be made with regard to the hypothesis that "the articulation of institutional options that all participants can accept as equitable is necessary for institutional bargaining to succeed."[30] This hypothesis is mainly induced from the empirical observation that the joint benefits of interstate cooperation are usually distributed fairly equally. However, quite different explanatory concepts and hypotheses may explain exactly the same observation: the outcome is compatible simultaneously with a realist explanation that emphasizes the relative gains orientation of the actors involved[31] and with the constructivist hypothesis that ceteris paribus in a communicative context social actors prefer just outcomes to unjust ones.[32] It therefore seems necessary to carry out studies in which outcome observations are accompanied by process observations: did the negotiations include tough bargaining about the distribution of cooperative benefits or were they based on an early normative understanding that any agreement reached has to be a fair one?

INSTITUTIONAL BARGAINING

Institutional bargaining is a model that significantly loosens the informational requirements of the rational choice approach, but it is still built on the notion of interest-driven behavior. The approach leaves no room for an element of "arguing," that is, speech acts that argue on the basis of "rightness," instead of "bargaining," that is, speech acts that

[30] Osherenko and Young (fn. 19), 14.

[31] For a discussion of relative gains, see Joseph M. Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers to Trade* (Ithaca, N.Y.: Cornell University Press, 1990).

[32] Zürn (fn. 25), 155.

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make threats and promises.[33] To be sure, there are good reasons for believing that most arguing in institutional bargaining is actually strategic arguing; that is, arguments about impartial, general interests are used in support of particular interests. The question remains, however, whether egoistic actors get involved in arguing in the first place and whether impartiality is not prior to its strategic abuse. In this respect it may easily be the case that Young, while going very far in reducing the informational requirements of rational choice theory, did not go far enough in that he did not include an element of arguing in his approach. What may be needed is not a theory of institutional bargaining but a theory of *institutional negotiation*, which includes both bargaining and arguing.

In sum, as Osherenko and Young write in the introduction of *Polar Politics*:

> The approach of this project diverges significantly from a series of well-known utilitarian arguments stressing factors such as the number of participants, the character of the payoff structure, and the role of recurrent interactions or the "shadow of the future" as determinants of success or failure in bargaining relating to regime formation. These arguments are not without merit in some contexts, but we find them inadequate to explain or predict the formation of international regimes.[34]

It seems to me that an integrative approach that connects the "well-known utilitarian arguments" with the factors emphasized in the concept of institutional bargaining could be very useful for prioritizing the underlying constellation of interests, as well as those important variables like the veil of uncertainty. Moreover, it may be necessary to go beyond utilitarian theory to account for equity and similar considerations. This approach essentially supports Young and Osherenko's recommendation for the development of a multivariate (interactive) model that includes both substitution effects, that is, different paths along which institutional bargaining can move toward success, and interaction effects.

Recalling the questions regarding regime formation raised in Section I, it can be stated that we do know much more in this respect than we did two decades ago. We know a number of conditions that are favor-

[33] For this distinction, see Jon Elster, "Arguing and Bargaining in Two Constituent Assemblies," Storrs Lecture (New Haven: Yale Law School, 1991); and Thomas Gehring, "Regieren im internationalen System: Verhandlungen, Normen und internationale Regime," *Politische Vierteljahresschrift* 36, no. 2 (1995). Essentially, bargaining represents the mode of behavior as captured by rational choice theory, while arguing is informed by Habermas's notion of "communicative action." See also Harald Müller, "Internationale Beziehungen als kommunikatives Handeln: Zur Kritik der utilitaristischen Handlungstheorien," *Zeitschrift für Internationale Beziehungen* 1, no. 1 (1994).

[34] Osherenko and Young (fn. 19), 12.

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able to regime formation, we know that the process of regime formation can easily take a decade or even more, and we know what kind of bargaining processes and strategies are conducive to regime formation. The work reviewed here has contributed significantly to the research program on the conditions under which institutionalized cooperation can take place in international politics. However, the study of international environmental politics has benefited from the existence of a broader research program, rather than created one of its own.

III. Regime Effects

Regime analysis developed in an intellectual environment strongly influenced by Waltzian neorealism and thus was first shaped by the most fundamental issue: Do regimes matter? In the meantime, the evidence accumulated by various case studies should have settled the matter.[35] But even if these studies have convincingly shown that regimes often do make a difference in one way or another, they are still no substitute for systematic research on regime effects. And research on environmental regimes has, in fact, generated a dramatic increase in interest in these questions.[36]

The study of regime effects has a number of aspects. A first important distinction is the one between regime effectiveness and broader regime consequences. Regimes are usually established to manage a problem specific to a given issue-area. Although regime effectiveness is still an ambiguous concept, it refers mainly to those intended and issue-area-specific outcomes of the regime. In contrast, regime consequences refer mainly to the more general impacts of the regime, whether intended or unintended, issue-area specific or general. Thus, not only can regimes affect the behavior of those whose behavior is regulated, but they may also affect the distribution of capacities, the cognition of different factors, and even the values and interests of participants and nonparticipants. Moreover, different types of targets can be affected: regimes may influence governments, societal groups (even individuals),

[35] For this issue, see, among others, Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984); Haas (fn. 15); Volker Rittberger and Michael Zürn, "Towards Regulated Anarchy in East-West Relations," in Volker Rittberger, ed., *International Regimes in East-West Politics* (London and New York: Pinter, 1990); Harald Müller, "The Internalization of Principles, Norms, and Rules by Governments: The Case of Security Regimes," in Volker Rittberger, ed., with Peter Mayer, *Regime Theory and International Relations* (Oxford: Oxford University Press, 1993); and Helmut Breitmeier and Klaus Dieter Wolf, "Analysing Regime Consequences: Conceptual Outlines and Environmental Explorations," in Rittberger with Mayer.

[36] See Young and von Moltke (fn. 5). A very important early contribution is Arild Underdal, "The Study of Regime Effectiveness," *Cooperation and Conflict* 27, no. 3 (1992).

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TABLE 1
DEPENDENT VARIABLES FOR THE STUDY OF REGIME CONSEQUENCES

Target Dimension	*Government*	*Society/ Domestic Politics*	*Issue-Area*
Behavior	implementation of regime rules; compliance with inconvenient commitments	groups supporting regime rules; rule compliance by new governments	problem solving; resilience against external changes
Capabilities	resources at government's disposal	domestic distribution of resources	resources at disposal for the international endeavor
Cognitions	cause-effect relationship regarding issues; intentions ascribed to other actors	cause-effect relationship regarding issues; intentions ascribed to other actors	cause-effect relationship regarding issues; mutual trust
Values and interests	preference ordering	domestic interests	situation structure
Constitution	domestic political structure	loyalties	integration/process of civilization

and also complete issue-areas. Although the study of regime effects has so far focused mainly on effectiveness,[37] the regime consequences that can plausibly be studied are numerous. See Table 1 for numerous dependent variables for the study of regime consequences.[38] The question to be probed, then, is when these consequences are likely to occur.

DOES INSTITUTIONAL DESIGN MATTER?

Another important distinction is the one between effects that are common to all regimes and those that occur only with certain types of regimes.[39] As the work by Haas, Keohane, and Levy demonstrates, it is certainly highly relevant to study generic effects of regimes. Starting from the premise that actors are rational (though not necessarily well informed) decision makers pursuing reasonably well-defined interests, these authors ask what kind of contribution international institutions make to the improvement of the environment. By constructing "causal pathways, supported with empirical evidence,"[40] they show that interna-

[37] Haas (fn. 15); Mitchell (fn. 4).

[38] Some examples of the broader consequences of international institutions are discussed in Levy, Young, and Zürn (fn. 16).

[39] See Breitmeier and Wolf (fn. 35).

[40] Keohane, Haas, and Levy, "The Effectiveness of International Environmental Institutions," in Haas, Keohane, and Levy, *Institutions for the Earth*, 19.

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tional environmental regimes change behavior for the better by boosting what they call the "three C's": accordingly, international environmental regimes increase governmental *concern* through normative pronouncements, they enhance the *contractual* environment by reducing transaction costs and providing monitoring and verification mechanisms, and they heighten national *capacity* through technical assistance and aid.[41] Yet other contributions suggest that in the long run more policy-relevant conclusions may be drawn from studying the effects of specific institutional features.[42] In a contribution to the volume edited by Choucri, for instance, David G. Victor, Abram Chayes, and Eugene B. Skolnikoff review international environmental regimes that are considered successful and come up with a list of features that characterize these successful regimes.[43] On the processual side, the authors consider to be important the institutionalized coordination of research and periodic assessments of the relevant discipline, the existence of an ongoing forum for addressing issues, the systematic collection, review, and dissemination of data, and the institutionalized reporting, review, and assessment of national policies. With regard to substantive commitments, they recommend a system of mandated but amenable targets, the transfer of funds, national pledges for reductions and reviews, a system of tradable permits, a system of taxes or emissions fees, and a technology based on a best-efforts approach.

In his book *Environmental Diplomacy*, Lawrence A. Susskind takes a similar approach, but starts out by identifying the weaknesses of the existing environmental treaty-making system. He begins by pointing out that the given legal structure, based on the Vienna Convention on the Law of Treaties, is inadequate for overcoming the difficulties in building international environmental agreements. Particularly problematic are the lack of specifications regarding the initiation of institution building, the voting procedures, and the text procedures. Second, he points to fundamental flaws in the convention-protocol approach.[44] Because, as he sees it, this approach is too time-consuming, it rein-

[41] Levy, Keohane, and Haas, "Improving the Effectiveness of International Environmental Institutions," in Haas, Keohane, and Levy, *Institutions for the Earth*.

[42] See Thomas Bernauer, "The Effect of International Environmental Institutions: How We Might Learn More," *International Organization* 49, no. 2 (1995).

[43] Victor, Chayes, and Skolnikoff, "Pragmatic Approaches to Regime Building for Complex International Problems."

[44] Most of the current international environmental regimes began with a broad framework convention that stated general goals and some procedures fostering cooperation, especially regarding pertinent knowledge production. Over time, the conventions were then supplemented by substantial protocols that spelled out specific targets for emissions reduction. In this sense, the convention-protocol approach is the legal basis of most environmental regimes. See, for example, Gehring (fn. 4),

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forces the tendency to stick to modest targets as the lowest-common-denominator approach, while neglecting available scientific and technical information, favoring the powerful states, encouraging countries to misrepresent their interests, not solving free-rider problems, and failing to respond to the need for effective monitoring and enforcement. In sum, he identifies four procedural shortcomings that account for most of the failures of global environmental protection. He then summarizes these criticisms by pointing to four issues that need to be addressed if environmental diplomacy is to be improved. These issues are (1) representation procedures, (2) the improper balance of scientific and political considerations, (3) the use of linkages, and (4) effective monitoring and enforcement arrangements.

Against the background of this critique, Susskind recommends a three-stage process centered around the notion of negotiating different protocols with clearly defined trigger mechanisms. "Instead of settling for a broad framework convention without targets or deadlines, the parties to a treaty negotiation could spell out—at the time a framework is debated—contingent actions that would come into force if certain events occurred or thresholds were passed. . . . If nothing else, the lowest-common-denominator approach to treaty-making could be avoided" (pp. 80–81). Susskind sees three major advantages to this approach. First, the all-or-nothing type of negotiations would be avoided; second, it would facilitate issue linkage; and third, it would allow a collaborative learning process.

Victor, Chayes, and Skolnikoff present their suggestions as a "pragmatic approach to regime-building for complex international problems." Susskind's perspective is similar: "This book provides what I hope will be viewed as a framework for understanding the current way we negotiate global environmental treaties and a guide that offers practical advice on how we can do better" (p. 8). These authors do not enter into the academic discourse on whether regimes matter. They take this as given. Their suggestions therefore are based on the practical notion that outcomes can best be improved by reforming policies so as to find the design most conducive to goal attainment and to framing proper goals.

There are, however, problems with such a pragmatic approach, primarily because it is unclear how they know that these proposals will

who studied the international regime on long-range transboundary air pollution and the regime for the protection of the ozone layer, both clear examples of the convention-protocol approach. Gehring, however, evaluates this approach very positively, succinctly labeling these regimes "dynamic international regimes."

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lead to better regimes.[45] Although most of the suggestions put forward are based on very reasonable arguments, they still lack the support of stringent empirical evidence. Of course, social science research that proposes new and innovative institutional designs is by definition not able to prove the superiority of the proposed design by comparing it with the existing one. However, the question is whether, for example, the superiority of a three-stage process with multiple protocols over the convention-protocol approach is really demonstrated as persuasively as possible. Many of the deficits of international environmental regimes that Susskind convincingly identifies are all too easily attributed to the convention-protocol approach. He uses the Earth Summit as an illustration of the shortcomings of this approach, thus citing a case that so far has not yet reached its second state, that is, the formulation of substantive protocols. It therefore comes as no surprise that in this case the substantial commitments are as yet unsatisfactory. Moreover, many of the problems discussed for the convention-protocol approach are not systematically used as criteria for evaluating Susskind's three-stage, multiple-protocol process. Why, for example, is the three-stage process better than the convention-protocol approach with respect to problems such as discouraging countries from misrepresenting their interests or solving free-rider problems? Nor does Susskind discuss conceivable weaknesses of the three-stage process that would seem to derive from the criteria that he at least implicitly uses. For instance, would not the complexity and the transaction costs of negotiating multiple protocols be prohibitively high? How could the participating states agree on what trigger mechanisms should be activated and when?

To conclude, the literature on institutional designs has already produced a number of notable reform proposals. Unfortunately, however, the proposals are still not backed by research designs that permit causal inferences.[46] It seems that research on appropriate institutional design would benefit greatly if it built on some of the general insights and discussions about strategies and techniques for assessing regime effectiveness. The next generation on international environmental politics needs to tackle these issues.[47]

[45] The following criticisms are exemplified in Susskind's book, which is in a sense more ambitious than the consciously and carefully circumscribed proposals by Victor, Chayes, and Skolnikoff.

[46] For an excellent discussion of these issues, see also Jørgen Wettestad, *Nuts and Bolts for Environmental Negotiators: Institutional Design and the Effectiveness of International Environmental Regimes—A Conceptual Framework* (Lysaker: Fridtjof Nansen Institute, 1994).

[47] See now Olav Schram Stokke and Davor Vidas, eds., *Governing the Antarctic: The Effectiveness and Legitimacy of the Antarctic Treaty System* (Cambridge: Cambridge University Press, 1996); and Robert O. Keohane and Marc A. Levy, eds., *Institutions for Environmental Aid: Pitfalls and Promise* (Cambridge: MIT Press, 1996).

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Strategies for Studying General Regime Effectiveness

Institutional effectiveness occurs when the quality of the environment is improved because of the institution.[48] One prerequisite for drawing causal inferences about institutional effectiveness is a clear understanding of the outcome that needs to be explained. As Young points out in *International Governance:* "Effectiveness, it is clear, figures in this line of inquiry mainly as the dependent variable, that is, the phenomenon we seek to account for or to explain. . . . Yet the more we bear down on the specification of effectiveness as the dependent variable, the clearer it becomes that we are dealing with a suite of related variables" (p. 142).[49]

Susskind suggests in *Environmental Diplomacy* that "it would be a mistake to measure success in terms of anything less than tangible environmental improvements" (p. 12). From a normative point of view, this seems to be an almost uncontestable assertion. Nevertheless, some analysts (not only international lawyers) prefer a legal definition as a starting point, for reasons of operational clarity; they hold that the measure of success is the degree to which conflicts can be regulated by the rule of law and the extent to which contractual obligations are met. And for political scientists, in most instances a political definition seems most appropriate (containing Young's idea of behavioral, process, and constitutive effectiveness). As Keohane, Haas, and Levy concisely state: "Truly effective international environmental institutions would improve the quality of the global environment. Much of this activity, however, is relatively new, and . . . on none of the issues . . . do we yet have good data about changes in environmental quality as a result of international institutional action. So we must focus on observable political effects of institutions rather than directly on environmental impact."[50] Thus there is a need to establish causal links between those observable outcomes and regimes. Essentially, I see three basic strategies for establishing causal links: using counterfactuals, tracing causal mechanisms, and using comparisons.

[48] Keohane, Haas, Levy (fn. 40), 7.

[49] He goes on to distinguish six different meanings of effectiveness: (1) problem solving, that is, the extent to which the regime contributes to solving the problem that it was created to deal with; (2) goal attainment, that is, the degree to which a regime's stated or unstated goals are attained; (3) behavioral effectiveness, that is, the extent to which the regime alters the behavior of actors; (4) process effectiveness, that is, the extent to which the regime alters rules; (5) constitutive effectiveness, that is, the extent to which it gives rise to new social practices; and (6) evaluative effectiveness, that is, the extent to which it fulfills evaluative criteria.

[50] Keohane, Haas, and Levy (fn. 40), 7.

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USING COUNTERFACTUALS

The first strategy builds on the use of counterfactuals. While changes in the issue-area occurring after regime formation are easy to observe, there are numerous other variables independent of the regime that could also account for them. Therefore, the real measure of a given regime's effectiveness involves a comparison with what would have happened had the regime never existed. A research strategy using counterfactuals in this narrow sense[51] is especially helpful for making causal claims if the number of independent variables is higher than the number of comparable cases.[52] This predicament applies to most studies on regime effectiveness. In the absence of sound hypotheses that can be tested, regime effectiveness therefore has to be assessed on a case-by-case basis. For example, Jørgen Wettestad and Steinar Andresen explicitly measure "the degree of improvement in relation to the hypothetical state of affairs that would have occurred had no international cooperation been initiated in the field in question."[53] While the results of these studies are highly illuminating, the use of counterfactuals is not without limitations.

Jon Elster maintains that using counterfactuals is legitimate only if the existing theories are neither too good nor too bad.[54] If a theory of regime effectiveness consists of a set of independent variables including a clear understanding of the relationship between them, the construction of an alternative scenario, that is, changing one independent factor without changing the others, could be deemed illegitimate in light of the applied theory. If there is no solid understanding of the politics in the issue-area, then the construction of an alternative scenario is nothing more than pure speculation. The more general point is that counterfactuals utilize *existing theories about phenomena other than regime*

[51] It has recently been argued that almost all research designs in the social sciences at one point or another build on counterfactuals. See Thomas Biersteker, "Constructing Historical Counterfactuals to Assess the Consequences of International Regimes: The Global Debt Regime and the Course of the Debt Crisis of the 1980s," in Rittberger with Mayer (fn. 35), 324. Indeed, counterfactual assumptions about the comparability of cases are sometimes made in order to set up a comparative design. Although such a procedure may contain counterfactuals at the point of determining the set of cases to be compared, I consider this research strategy as *comparative*, because the *causality* is determined according to the logic of comparison. Here I want to refer to a distinct *counterfactual method* that uses counterfactuals in a specific way. Counterfactuals in this narrow sense have a different meaning: (causal) effectiveness of a specific regime is assessed in a given case by (implicitly or explicitly) constructing a scenario which excludes the regime and then compares the real-world outcome with the outcome of the scenario.

[52] James D. Fearon, "Counterfactuals and Hypothesis Testing in Political Science," *World Politics* 43 (January 1991), 156.

[53] Wettestad and Andresen (fn. 4), 2.

[54] Elster, *Logic and Society: Contradictions and Possible Worlds* (New York: Wiley, 1981), chap. 6.

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effectiveness in order to make statements about regime effectiveness in a given issue-area. The theory employed tells us about the normal development of the issue-area (without institutional intervention) and thus differs from one issue-area to another. Therefore, the counterfactual procedure might be capable of accounting for simple consequences of specific regimes in single cases if we have a solid understanding of the political processes in which the regime intervenes. It follows that assessing regime effectiveness by using counterfactuals is highly problematic in very complex cases such as climate change. At the same time, counterfactuals can be very productive for assessing the effects of a regime in a simpler issue-area. Ron Mitchell, for example, very convincingly demonstrates that the regime controlling intentional oil pollution from ships succeeded by improving the contractual environment.[55]

TRACING CAUSAL MECHANISMS

A second strategy for studying regime effectiveness may be called tracing causal mechanisms. The contributions to the volume edited by Keohane, Haas, and Levy emphasize tracing causal pathways that link institutional characteristics with behavioral outcomes. The strategy is to identify the mechanisms through which a regime is expected to be effective and to observe whether or not these mechanisms are working. It is not a counterfactual judgment but a determination of causality on the basis of a concrete observation of processes (instead of outcomes). The seven case studies in the volume are based on a three-step analysis: "First, the authors portray specific environmental problems, their causes and possible solutions within an issue area. . . . Second, [they] identify and describe efforts to respond to these problems, focusing on agenda setting, international policy formulation, and national policy development. . . . Finally, the authors assess the precise role that international institutions had in contributing to the outcomes described in step two."[56]

To be sure, the authors argue that the "key to this assessment [of institutional effectiveness] is an exercise in hypothetical counterfactual analysis."[57] In most of the case studies, however, the assessment of institutional effectiveness is different from counterfactual analysis in the narrow sense. On the basis of a theoretical understanding of the working of international institutions, the authors identify conceivable mech-

[55] Mitchell, "Intentional Oil Pollution of the Oceans," in Haas, Keohane, and Levy, *Institutions for the Earth*; and idem (fn. 4).

[56] Keohane, Haas, Levy (fn. 40), 10.

[57] Ibid.

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anisms of institutional effects and then gather information to check whether these mechanisms were working or not. In some of the case studies, counterfactual arguments are used as part of the demonstration that a certain mechanism worked. With this method, the causality is determined on the basis of process tracing and not according to the logic of counterfactual analysis.

The innovative use of this method is certainly an enormous contribution to the study of institutional effectiveness. The reader, however, still wonders whether the method could not be made more systematic. When reading the case studies, it is not apparent what kind of descriptive evidence qualifies as an indication for the presence of a given causal mechanism. For instance, it is argued that international institutions served as magnifiers of public pressure by fostering competition among governments to be more proenvironment in four cases: the Baltic and the North Sea regime,[58] successive ozone talks after 1987,[59] and acid rain "tote-board diplomacy."[60] This in turn is taken as an indication of increasing governmental concern. The problem, however, is that a statement like "international institutions served as magnifiers of public pressure" is hardly descriptive. Rather, it already contains a causal statement and thus is not a suitable descriptive indication.

The fundamental idea of process tracing is to assess causality by recording each element of the causal chain. Take, for example, the notion of increasing governmental concern. In order to assess institutional effectiveness in this regard, it seems first necessary to spell out observable institutional *activities* such as "disseminating scientific knowledge"[61] that are related to this causal mechanism. Second, it should be checked whether the information affected the reasoning of the national decision makers in the way determined by the causal mechanism. Third, there must be a policy outcome on the national or societal level that is in line with the respective scientific knowledge. Only if all successive steps are demonstrated by pointing to descriptive evidence—activity of the international regime = output 1; governmental response to output 1 = outcome 1; change of national policy compatible with content of institutional activity on the international level = output 2[62]—should one speak of institutional effectiveness through the causal mechanism "increasing governmental concern." While the contribu-

[58] Haas (fn. 15).
[59] Parson (fn. 15).
[60] Levy (fn. 15).
[61] Levy, Keohane, Haas (fn. 41), 406.
[62] If the interest is "improved state of the environment" instead of "behavioral change of political units," it is necessary to add a fourth step, that is, "improved quality of the environment = outcome 2."

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tions in the volume edited by Haas, Keohane, and Levy take a huge step in the right direction, it seems that there is room for further improvement of the method.

USING COMPARISONS

Although the research strategy of tracing causal mechanisms is most helpful when it is applied to more than just one case study, its logic is also different from comparative designs. A comparison is a quasi-statistical approach that ought to solve the "ratio of number of variables to cases" problem that is inherent in qualitative case-study research. It uses the notion of correlation in order to test hypotheses, thus relieving single-case studies of the task of making causal claims.[63] In comparative designs, outcome variables that do not already imply causal statements are correlated with observable independent variables. Again, "regime effectiveness" can therefore not be the dependent variable in comparative designs, since it already implies a causal statement. Nor can "(any) change after regime formation" be a dependent variable, since it is completely case specific and therefore does not allow comparisons. In contrast, "reduction of emissions," for instance, depicts a variable that can be assessed descriptively and is also nonidiosyncratic. It follows that improving our knowledge about regime effectiveness requires the *development of descriptive dependent variables* that allow focused comparison. The lack of clearly defined and somehow measurable variables (that do not already require causal statements such as regime effectiveness) is certainly part of the difficulty in developing and testing hypotheses about regime consequences as opposed to regime formation in comparative designs.

In spite of these difficulties, comparative designs are a necessary complement to other methods of assessing regime effectiveness and consequences. Two requirements for progress in this area of research are therefore obvious. First, a careful separation of different regime effects is necessary, since a central difficulty for the study of regime effectiveness is the myriad of conceivable effects a regime may have. Second, the method of empirical comparisons depends on the availability of a sizable number of cases for which comparable data are available. For this purpose, focused comparisons as pursued in the volumes by Young and Osherenko and by Haas, Keohane, and Levy are of special importance.

[63] See Arend Lijphardt, "The Comparable Cases Strategy in Comparative Research," *Comparative Political Studies* 8, no. 2 (1975). While in small-sample comparative designs it is necessary to control for other explanatory factors in order to highlight the effect of those that are tested (quasi experiments), large-sample comparisons supposedly control for distorting effects by a high number of cases.

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Taken together, the literature on regime consequences takes a highly innovative route to gain insights about the effectiveness of international regimes in general and the effects of specific institutional features in particular. In doing so, it tackles a number of questions that are of great value for both the practitioner and the international relations theorist. Although the answers to these questions are still at best preliminary, this work certainly carries the potential for an enduring research program. Moreover, it seems that the study of environmental politics is ahead of similar research in other issue areas.

IV. Transnational Networks

Transnational networks can be understood as encompassing at least two different varieties of nongovernmental associations that act transnationally. On the one hand, scholars identify epistemic communities as those transnational groups that are bound together by a shared set of causal *and* principled beliefs, including shared notions of validity. This notion of transnational networks emphasizes the cognitive aspects of international politics.[64] On the other hand, there are international nongovernmental organizations (INGOs) that "serve underserved or neglected populations, to expand the freedom of or to empower people, to engage in advocacy for social change, and to provide services."[65] This notion of transnational networks emphasizes the struggle for public goods that some of the INGOs are indeed involved in. To be sure, it is no big news that politics is to some extent shaped by social movements whose features differ from those of traditional interest groups.[66] It is also no big news that transnational relations defined as "contacts, coalitions, and interactions across state boundaries that are not controlled by the central foreign policy organs of governments"[67] play a role in world politics. The combination of those two features—transnational and

[64] Peter M. Haas, "Introduction: Epistemic Communities and International Policy," *International Organization* 46, no. 1 (1992). See also Thomas Risse-Kappen, "Structures of Governance and Transnational Relations: What We Have Learned?" in Thomas Risse-Kappen, ed., *Bringing Transnational Relations Back In: Non-State Actors, Domestic Structures and International Institutions* (New York: Cambridge University Press, 1995).

[65] See, for instance, Leon Gordenker and Thomas P. Weiss, "Pluralizing Global Governance: Analytical Approaches and Dimensions," in Gordenker and Weiss, eds., *NGO's, the UN, and Global Governance* (Boulder, Colo., and London: Westview Press, 1996),19. They also introduce a list of further distinctions among transnational networks.

[66] For a discussion of social movement theory, see Matthias Finger, "NGOs and Transformation: Beyond Social Movement Theory," in Princen and Finger.

[67] Joseph S. Nye and Robert O. Keohane, "Transnational Relations and World Politics: An Introduction," in Keohane and Nye, eds., *Transnational Relations in World Politics* (Cambridge: Harvard University Press, 1972), xi.

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public goods—raises a number of important issues, however. Social movements may no longer be "prisoners of the state."[68]

Transnational Networks and World Civil Society

The first and possibly most fundamental question concerns the character of these transnational networks. Are they an expression of an emerging world society?[69] The answer by Princen and Finger and their collaborators in their book about INGOs is to a large extent affirmative.[70] For them INGOs are the logical response of civil society to the globalization of economics and the internationalization of politics. Matthias Finger in particular regards "third system theory" as appropriate for grasping INGOs. Accordingly,

> citizens mobilize to participate in the political process, which has been "shifted upward" from the domestic to the global (UN) level. The fact that the unit of reference is now some sort of global political system should have changed the terms of reference of the theory: at this global level, activism is not so much about participation and influencing existing structures and decision-making processes but about creating and inventing them.[71]

Along the same lines, Paul Wapner argues that INGOs not only influence states "but also . . . affect the behavior of larger collectivities throughout the world."[72]

In general, these characterizations of transnational networks as forerunners of a world civil society are relevant and conceptually quite challenging. So far, however, they are mainly speculative. The relationship between civil society and transnational networks especially is not entirely clear. Are transnational networks cause, consequence, or indication of world civil society? If transnational networks with public goals referring to the world as a whole are seen as a central indicator for an

[68] Sydney Tarrow, *Power in Movement: Social Movements, Collective Action and Politics* (Cambridge: Cambridge University Press), 197.

[69] For a good discussion of the concept of world society, see Forschungsgruppe Weltgesellschaft, "Weltgesellschaft: Identifizierung eines 'Phantoms,'" *Politische Vierteljahresschrift* 37, no. 1 (1996).

[70] See also Dietrich Thränhardt, "Globale Probleme, globale Normen, neue globale Akteure," *Politische Vierteljahresschrift* 33, no. 2 (1992); and Reinhard Kößler and Henning Melber, *Chancen internationaler Zivilgesellschaft* (Frankfurt am Main: Suhrkamp, 1993).

[71] Finger (fn. 66), 59.

[72] Wapner, "Politics beyond the State: Environmental Activism and World Civic Politics," *World Politics* 47 (April 1995), 320. A similar hypothesis has been put forward with respect to epistemic communities. "The greater the extent to which epistemic communities are mobilized and are able to gain influence in their respective nation-states, the greater is the likelihood that these nation-states will in turn exert power on behalf of the values and practices promoted by the epistemic community and will thus help in their international institutionalization." See Emanuel Adler and Peter M. Haas, "Conclusion: Epistemic Communities, World Order, and the Creation of a Reflective Research Program," *International Organization* 46, no. 1 (1992), 372.

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emerging world civil society, then solid studies about the inner workings of transnational networks seem most important. It is not sufficient to argue that transnational networks stand for the right policies and are the right guys. Studies about internal decision making, about discourses within and among transnational networks, and about the attitudes and motivations of the members of those groups could tell us more about the notion of a world civil society.[73]

Transnational Networks and International Governance

A second set of contributions focuses on the role of transnational networks in international governance, a matter clearly distinct from the world civil society issue. INGOs may be seen at the same time as elements of a world civil society and as completely powerless in the international policy-making system. However, earlier accounts clearly and unanimously supported the notion of a growing influence of transnational networks.[74] These findings are supported by Princen and Finger, who see the ability of INGOs to link local demands with global negotiations and the world of scientists (epistemic communities) with the world of politics.[75] In doing so, "environmental NGOs gain influence by building assets that, in the environmental realm, states, intergovernmental organizations, and profit-making organizations are hard pressed to match."[76] Overall, the consensus of most studies on transnational networks seems to be that in international environmental politics INGOs and epistemic communities have a significant influence on international governance by shaping the agenda, by playing a role in the negotiation process, and by improving implementation.

However, some of the reviewed studies also contain critical remarks on the role of epistemic communities. Susskind suggests that "a review

[73] See Paul Kevin Wapner, *Environmental Activism and World Civic Politics* (Albany: State University of New York Press, 1996); and Elmar Altvater et al., eds., *Vernetzt und verstrickt: Nicht-Regierungsorganisationen als gesellschaftliche Produktivkraft* (Münster: Westfälisches Dampfboot, 1997).

[74] See, for example, Kevin Stairs and Peter Taylor, "Non-Governmental Organizations and Legal Protection of the Oceans: A Case Study," in Hurrell and Kingsbury (fn. 4). This essay provides an excellent descriptive account of Greenpeace's role in the legal protection of the oceans at two points of the policy cycle. In the process of policy formulation, NGOs provided translators for non-English speakers from proenvironmental states, and they also provided them with scientific advice. In the process of policy implementation, the NGOs helped with monitoring; their only viable compliance force was to put offending states to shame. For similar findings, see Kenneth Piddington, "The Role of the World Bank," in Hurrell and Kingsbury (fn. 4); Barbara J. Bramble and Gareth Porter, "Non-Governmental Organizations and the Making of U.S. International Environmental Policy," in Hurrell and Kingsbury (fn. 4). See also Thomas (fn. 4), 290; and the contributions to Peter Willetts, ed., *"The Conscience of the World": The Influence of NGOs in the UN System* (London: Hurst and Company, 1996).

[75] Thomas Princen, Matthias Finger, and Jack P. Manno, "Translational Linkages," in Princen and Finger.

[76] Thomas Princen, "NGOs: Creating a Niche in Environmental Diplomacy," in Princen and Finger, 36.

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of most of the international treaties negotiated since the 1972 Stockholm conference shows that scientific evidence has played a surprisingly small role in issue definition, fact-finding, bargaining, and regime strengthening" (p. 62). He presents two reasons for this observation. First, the high degree of complexity, uncertainty, and disagreement in environmental politics creates situations in which decision makers feel they are competent enough and do not need to turn to experts. This is a somewhat surprising reason, given that epistemic community theorists argue that transnational networks are especially important in situations of uncertainty. Second, the existence of "adversary science" undermines the trust in the arguments of the epistemic community. According to Susskind's observations, epistemic communities do not usually agree on measures and cannot compete for political support with decision makers. This statement boils down to a negation of the very idea that there are epistemic communities (defined by shared beliefs) that push regime formation and implementation. According to Susskind, "The much-vaunted epistemic community is a result rather than a motor of environmental negotiations" (p. 74). Young in *International Governance* is less harsh in his critique of the literature on epistemic communities. While he welcomes the attention that these arguments draw to the role of ideas, he identifies three weaknesses (pp. 96–97). Studies on epistemic communities lack a clear notion of the bargaining process through which international regimes are usually formed. Furthermore the reciprocal influence of those with material power and those with scientific knowledge is, according to Young, misrepresented in favor of an overstatement of the role of ideas. This raises the question whether analysts of epistemic communities do have an appropriate understanding of the politics of science. As the great work of Robert Merton, for example, has demonstrated, even in those countries in which the principle of "freedom of science" is accepted, states and political decision makers clearly have an influence on the formation of epistemic communities by controlling the funding institutions. Therefore, political decision makers and epistemic communities can be expected to influence each other. It is a two-way relationship.[77] Against this background, Young correctly identifies a "constant danger of falling into the trap of *post hoc* reasoning, finding evidence of consensual knowledge in cases of success in regime formation and failing to locate epistemic communities in cases of failure" (p. 94). Most of these critical

[77] See Merton, *The Sociology of Science: Theoretical and Empirical Investigations* (Chicago: University of Chicago Press, 1973); and see also Karen T. Litfin, *Ozone Discourse: Science and Politics in Global Environmental Cooperation* (New York: Columbia University Press, 1994).

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remarks also apply to INGOs. Although there is a lot of good evidence about the role of transnational networks in international governance, more rigid research strategies are needed to determine their influence more reliably and precisely.

Analyzing the role of transnational networks in international governance involves similar problems to those of the study of regime consequences. Therefore, the interpretative accounts of the role of INGOs in international environmental politics need to be supplemented by studies using the research designs discussed earlier to attain more reliable statements about causal connections. *Counterfactuals*, for example, may be constructed on the basis of a theoretical framework about interstate cooperation (for example, rational choice models of cooperation that explicitly do not assign a role to transnational networks). The difference between the outcome expected by this theory and the real outcome would be a valid assessment of the impact of the NGOs.

Likewise, the strategy of *tracing causal mechanisms* appears to be a promising approach if carried out carefully. In this case, the observable activities of transnational networks (output 1) are a good starting point. For instance, with respect to the Antarctic Environmental Protocol, Margaret L. Clark lists all the INGOs and their activities in some detail.[78] In a second step, it needs to be shown that these activities were responded to, for instance, in international negotiations (outcome 1), and finally led to regime provisions compatible with the content of network activities (output 2). The mechanisms through which these connections work have again to be identified on the basis of theoretical and empirical reasoning. Such a specified focus on how influence is actually exerted also makes it clear that it might be necessary to distinguish different stages in the international policy cycle: agenda setting and institutional bargaining, as well as implementation and evaluation. It then can be asked, for each separate stage, through which activities and at which level transnational actors may have an impact. Although students of international environmental politics tend primarily to observe institutional bargaining and the revision of its outcomes, there are very good reasons for believing that the impact of transnational networks is most important in the stages of agenda setting, implementation, and evaluation.[79]

[78] Clark, "The Antarctic Environmental Protocol: NGOs in the Protection of Antarctica," in Princen and Finger.

[79] Susskind (chap. 6) provides some very helpful starting points for dealing with the issue of implementation and compliance. See also Jesse H. Ausubel and David G. Victor, "Verification of International Environmental Agreements," *Annual Review of Energy and the Environment* 17 (1992); and Abram Chayes and Antonia Handler Chayes, "On Compliance," *International Organization* 47, no. 2 (1993).

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At the end of the day the role of transnational networks in international governance also has to be demonstrated in *comparative* designs on the basis of theory-guided hypotheses. It follows that the development of descriptive dependent variables that are theoretically sound, clearly defined, and somehow measurable is of the utmost importance in this area, too. Most of the variables and concepts currently discussed need to be developed more rigidly: a priori operationalizations of the existence of epistemic communities and INGOs, a clear-cut conceptualization of the resources at their disposal, and their different activities as well as conceptualizations of the opportunity structure (features of the issue-area) in which they act.[80] It clearly makes sense to compare successful transnational networks with unsuccessful ones and to check whether influence is a result of the type of transnational network, or of its activities, or of the resources at the network's disposal. Against such a background, it seems especially promising to compare issue-areas in which transnational networks have a significant impact on regime evolution with those in which their role is limited, as, for example, in the development of the World Trade Organization or the Nonproliferation Treaty.

A research strategy that can complement all these three approaches has been aptly demonstrated by Gerard Peet,[81] who in 1991 very straightforwardly distributed a questionnaire to government officials at the Marine Environment Protection Committee (MEPC) and at the London Dumping Convention (LDC). Accordingly, the relative influence of INGOs was higher in the case of LDC. In agreement with other studies on the role of transnational networks, Peet finds that this influence was dependent upon the quality of information and the amount of INGOs' activities. This excellent study highlights my general conclusion. Although analysts of transnational networks ask the right questions and come up with plausible findings, they need to strengthen their work with more rigid, intersubjectively intelligible research strategies if they are going to convince skeptics.

Transnational Networks and Political Legitimacy

Finally, there are a number of prescriptive and normative reflections on the importance of INGOs for the legitimacy of decisions in international institutions. Accordingly, INGOs may improve decisions by providing

[80] These variables are emphasized by resource mobilization theory, which is considered to be a promising approach for analyzing transnational networks. See Finger (fn. 66), 53–54.

[81] Peet, "The Role of (Environmental) Non-Governmental Organizations at the Marine Environment Protection Committee (MEPC) of the International Maritime Organization (IMO), and the London Dumping Convention (LDC)," *Ocean and Coastal Management* 22 (1994).

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science with a platform in negotiations and they may improve the legitimacy of decisions by representing societal interests and balancing the special interests of mostly economic groups.[82] However, the concept of legitimacy used in these arguments is not crystal clear. Given that INGOs like Greenpeace seem to have a very positive reputation worldwide but lack internal democratic control and often challenge freely elected governments, it seems necessary to delve more deeply into the issue of legitimacy of a transnational society that exists parallel to the traditional society of states. Especially if transnational networks have privileged access to information, resources, and decision making, it is not enough to emphasize the possible positive aspects of INGOs in international policy-making. Even if transnational networks do indeed represent public interests in an emerging world society, it is at the same time clear that they need to be socially controlled. This is not to deny the legitimizing potential of NGOs, but it is a reminder that they obviously hardly fit into current normative theories of interstate politics. Findings on a positivistically defined legitimacy of NGOs, confronted with traditional normative notions of legitimacy in international politics, could be a valid starting point for an interesting normative debate.

While most of the findings of research on transnational networks are still contested and certainly need further differentiation,[83] this strand of analysis clearly has the potential to be an enduring research program, especially since it is safe to assume that issue-areas other than environmental politics will also increasingly witness the rise of transnational relations.[84] Without a doubt, the research on transnational networks raises some of today's most interesting questions in international relations. Moreover, this research has already offered answers that deserve to be taken seriously. However, the work on transnational networks does not yet have a sound theoretical basis for precise empirical testing.

V. Conclusions

Of the five research themes in the field of international environmental politics studied in the reviewed volumes, two make relevant criticisms

[82] See Princen and Finger. See also Susskind, 46–53; and Kevin Stairs and Peter Taylor, "Non-Governmental Organizations and the Legal Protection of the Oceans: A Case Study," in Hurrell and Kingsbury (fn. 4), 134–36.

[83] For an argument that the pressure of transnational networks in the global warming case may at this point lead to merely symbolic and essentially counterproductive commitments, see David G. Victor and Julian E. Salt, "Keeping the Climate Treaty Relevant," *Nature* 373 (January 26, 1995), 280–82.

[84] See, for example, the studies in Risse-Kappen (fn. 64); and idem, *Cooperation among Democracies: Norms, Transnational Relations, and the European Impact on U.S. Foreign Policy* (Princeton: Princeton University Press, 1995).

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and raise intriguing questions but have failed to provide satisfactory answers. Neither *holistic thinking* nor *agenda setting* offers the potential for an enduring research program. In contrast, research on the *formation of international environmental regimes* has contributed significantly to our understanding of the topic of international cooperation in general. But this work is embedded in preexisting efforts and has not provided the stimulus for a new research program. A driving force for new avenues in the analysis of international relations is the research on *regime effectiveness* and on *transnational networks*. Although at the moment we know less about regime consequences and the role of transnational networks in international environmental politics than about regime formation, the former two have recently produced research questions and strategies that seem to be promising.

Another conclusion points to the need to incorporate more sophisticated research strategies into current efforts in order to realize their full potential. On the one hand, research on international environmental politics has produced a number of high-quality case studies, some in the context of structured and focused comparisons and some as single case studies. The virtue of such work is that it provides detailed accounts of environmental politics. Yet many of my critical remarks point to the need for generating comparative designs in order to be able to generalize findings. It is necessary to back up findings empirically in comparative designs. A systematic compilation of the rich information already provided in many studies is a prerequisite for tackling some of the most urgent issues. It also seems obvious that these comparisons cannot be limited to environmental politics. For many of the open issues, it is necessary to compare environmental cases with nonenvironmental cases. This is particularly true of questions about effective institutional designs and the role of transnational networks. On the other hand, research on both regime effects and the role of transnational networks aims at explaining the consequences of given activities and institutions. For this kind of research, comparative designs must be complemented by process tracing, since there are countless conceivable consequences, whether intended or unintended. The notion of causal mechanisms seems to be an extremely innovative and promising approach; but it needs to be further developed to achieve its full potential.

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REALITY CHECK
Revising Theories of International Politics in Response to the End of the Cold War

By WILLIAM C. WOHLFORTH*

Archie Brown. *The Gorbachev Factor.* New York: Oxford University Press, 1996, 406 pp.

Jerry F. Hough. *Democratization and Revolution in the USSR, 1985–1991.* Washington, D.C.: Brookings Institution, 1997, 542 pp.

Richard Ned Lebow and Thomas Risse-Kappen, eds. *International Relations Theory and the End of the Cold War.* New York: Columbia University Press, 1995, 292 pp.

Jacques Lévesque. *The Enigma of 1989: The USSR and the Liberation of Eastern Europe.* Berkeley and Los Angeles: University of California Press, 1997, 267 pp.

Philip Zelikow and Condoleeza Rice. *Germany Unified and Europe Transformed: A Study in Statecraft.* Cambridge: Harvard University Press, 1995, 493 pp.

> From the invasion of Manchuria to the signing of the Molotov-Ribbentrop agreement, students of international relations too often found themselves emotionally and intellectually unprepared for the event. If they are to be taken seriously in the 1950s, they must show that they now know what went wrong, that they now know what sorts of data and analysis would have given them in the 1930s the answers that were then denied them.
>
> —*William T. R. Fox*[1]

> To improve our theories we need to know how and why they are inadequate. The how is not hard to establish. Political scientists and their theories failed not only to anticipate any of the dramatic events of the last several years but also to recognize the possibility that such changes could take place. The why of our collective failure is also apparent. . . . [We]

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[1] Fox, "Interwar International Relations Research: The American Experience," *World Politics* 2 (October 1949), 67–68.

World Politics 50 (July 1998), 650–80

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were misled by widely shared and deeply ingrained conceptions about the behavior of great powers in general and the Soviet Union in particular.
—*Richard Ned Lebow* and *Thomas Risse-Kappen*

THE end of the cold war is not the first major event to take scholars of international relations by surprise, and it doubtless will not be the last. The two epigraphs express an idea that resurfaces whenever we are astonished by events in the domain we seek to understand: science should learn from surprise. The purpose of this essay is to review the debate over the theoretical implications of the end of the cold war in light of the new evidence that has accumulated during the past five years. The books under review demonstrate that the debate contains many of the ingredients for an unusually instructive reality check for scholars and their theories: focus, provided by an unexpected event of seminal importance; competition, generated by a lively contest between established theories; and data, reflected in a recent outpouring of fascinating new information. Still, I find that the evidence cannot advance the debate, primarily because one crucial ingredient is missing: a standard for evaluating theories in response to major events that is sensitive both to the complexity of the events themselves and to the kinds of evidence such events are likely to produce.

The article is organized into four main parts dealing with theory, evidence, method, and suggestions for future research. I begin with an outline of the theoretical debate, which shows that scholars' arguments for revising the theoretical agenda in response to the end of the cold war imply the need for careful empirical study of the event. The stronger the argument, the greater the demand for knowledge about the event. Although their arguments presuppose careful empirical research on the event, scholars rarely conduct such research or propose how it might be conducted. The gap between the demand and supply of empirical research is predictable in a field that appears to reward theory development over testing, but in this case it also reflects a timing problem. The debate peaked before the emergence of good secondary accounts.

The empirical works reviewed in the second section represent the cutting edge of a new wave of scholarship that benefits from unprecedented access to information. We know more about the events of 1989–91 than earlier scholars, writing from a similar vantage, knew about events of comparable importance, such as the First and Second World Wars and the origins of the cold war. With new knowledge

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comes a greater appreciation of the explanatory challenges involved and a clearer sense of the interpretive disputes that divide scholars. While the new data hold out the promise of widely accepted findings concerning the event, they put a premium on the kind of analytical clarity that has thus far been absent from the theoretical debate. In the third section I review the lessons that emerge from a comparison between the scholarly debates on theory and the newer empirical accounts. The major lesson is that because scholars rarely make the empirical implications of their arguments explicit, new information concerning the event cannot advance the debate. The result is a clash between theory and evidence, in which competing theories rarely compete over the same empirical ground and in which theories that actually complement one another in explaining the event are often treated as if they were in a zero-sum competition.

The upshot is that unless we change the way we formulate arguments for revising theories, the greatest upheaval in international relationships in half a century will have no diagnostic utility for international relations theory. In the years ahead we are likely to see further releases of primary evidence concerning the end of the half-century U.S.-Soviet rivalry, the collapse of the Soviet alliance in Europe, and the reunification of Germany. Now is the time to clarify the debate on whether, how, and by how much these peaceful changes should alter our confidence in contending theories and hypotheses in international relations. I conclude the article with guidelines designed to increase the likelihood of more productive future encounters between international relations theory and the burgeoning new data set on the end of the cold war.

I. International Relations Theory and the End of the Cold War

Lebow and Risse-Kappen's collection is by far the best treatment of the theoretical implications of the end of the cold war for international relations scholars.[2] The product of a 1991 conference at Cornell Univer-

[2] A second generation of scholarship on international relations theory and the end of the cold war is in the works: Thomas Bierstecker, Richard Herrmann, R. Ned Lebow, and Nina Tannenwald are editing a forthcoming volume, *Understanding the End of the Cold War,* as part of a multiyear project organized by the Mershon Center of Ohio State University and the Watson Institute for International Studies at Brown University. The new and forthcoming literature on change in Soviet foreign policy promises to be particularly rich. Important examples include Jeffrey T. Checkel, *Ideas and International Political Change: Soviet/Russian Behavior and the End of the Cold War* (New Haven: Yale University Press, 1997); Matthew Evangelista, *Taming the Bear: Transnational Relations and the Demise of the Soviet Threat* (Ithaca, N.Y.: Cornell University Press, forthcoming); Robert D. English, *Russia Views the West: The Intellectual and Political Origins of Soviet New Thinking* (New York: Columbia University

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sity, the book retains the intensity of that early phase of the debate while also benefiting from the contributors having had time to revise their chapters in light of subsequent criticism.[3] The editors note in the preface that the book is meant to be a first cut at the problem rather than an "enduring" contribution. Yet despite this modest disclaimer, the collection will likely endure—as a primary source on how the discipline of international politics reacted to a seminal event occurring at an important stage of its intellectual development.

Though some important intellectual trends are absent, such as formal theory or large-N empirical research, the book captures much of what goes on in international relations scholarship today: the competition among systemic or structural theories, mainly the latest versions of realism and liberalism; the competition between systemic theories and domestic, decision-making approaches or two-level theories; and the renewed competition in world politics over the explanatory force of ideas as opposed to that of material factors. The heart of the book is the various authors' efforts to reconsider this agenda in light of the end of the cold war.

Arguments for Revision

The Lebow and Risse-Kappen book presents four responses to the end of the cold war, which, with one important exception that I discuss below, reflect the arguments found in the wider literature. The editors introduce the book with the strongest response: that the end of the cold war undermined the field's entire theoretical agenda. The emergence of cooperation between rival states, the collapse and expansion of alliances, the unification of great powers, and the stability of international systems all fall within the domain of international relations theory. In Lebow and Risse-Kappen's view, the fact that such changes came as a total surprise to the professionals whose job it was to understand inter-

Press, forthcoming); and Sarah E. Mendelson, *Changing Course: Ideas, Politics, and the Soviet Withdrawal from Afghanistan* (Princeton: Princeton University Press, 1998). Other notable treatments from the first wave include Pierre Allen and Kjell Goldmann, eds., *The End of the Cold War: Evaluating Theories of International Relations* (Dordrecht, Netherlands: Martinus Nijhoff, 1992); Michael Hogan, ed., *The End of the Cold War: Its Meaning and Implications* (New York: Cambridge University Press, 1992); John Lewis Gaddis, "International Relations Theory and the End of the Cold War," *International Security* 17 (Winter 1992–93); Richard Herrmann, "Policy-Relevant Theory and the Challenge of Diagnosis: The End of the Cold War as a Case Study," *Political Psychology* 15 (March 1994); and Fred Halliday, "The End of the Cold War and International Relations: Some Analytic and Theoretical Considerations," in Ken Booth and Steve Smith, eds., *International Relations Theory Today* (University Park: Pennsylvania State University Press, 1995).

[3] Chapters by Richard Ned Lebow, Thomas Risse-Kappen, Rey Koslowski and Friedrich Kratochwil, and Janice Gross Stein were initially published in *International Organization* 48 (Spring 1994).

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national politics warrants a major reevaluation of the field's premises. The field was caught flat-footed because "none of the existing theories of international relations recognized the possibility that the kind of change that did occur could occur. Because of the failure to recognize this theoretical possibility, practitioners remained insensitive to the change after it was well under way" (p. 2). Thus, the failure was fundamentally conceptual. Scholars built theories that hindered understanding by excluding important causes of international change. The experience exposes something deeply wrong with our most cherished assumptions about theory and research.[4]

Second is the argument that the end of the cold war transformed the agenda by dramatically undermining in particular only one theory: neorealism. In the strongest such argument, Rey Koslowski and Friedrich Kratochwil maintain that "the changes of 1989 present a crucial test case for neorealism and its systemic approach to international politics. Since . . . neorealism does not provide a coherent explanation for these transformations, the development of an alternative theoretical framework becomes necessary" (pp. 127–28). In a chapter on the failure of realism, Lebow argues similarly that the end of the cold war "contradicts many realist claims and suggests the need for alternative approaches to the study of international relations" (p. 25).

The third and most popular response is to argue that the end of the cold war constitutes a warrant for revising the theoretical agenda by altering the balance between theories or theoretical traditions. Risse-Kappen argues that an adequate explanation emerges when one couples neorealism's focus on the security dilemma and hegemonic decline with information about both the domestic structures of the key states and the ideas that animated political actors. Janice Gross Stein concludes similarly that neither domestic nor international structures are sufficient to account for policy change but must be supplemented by the analysis of how key decision makers learn from the feedback generated by their policies. Jack Snyder combines elements of neorealism, liberalism, and modernization theory to explain the peaceful demise of the cold war international order. Each author suggests that henceforth scholars should integrate standard international relations theories with alternatives that appear to be necessary to explain the end of the cold

[4] Gaddis (fn. 2) offers the most comprehensive statement of this argument. It is especially appealing to scholars who advocate newer theories, less tainted by an association with the field's failure to anticipate the end of the cold war. For a recent example, see Peter J. Katzenstein, ed., *The Culture of National Security: Norms and Identity in World Politics* (New York: Columbia University Press, 1996), chap. 1.

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war: "comparative politics and an improved modernization theory" (Snyder, 118); learning theory (Stein, 246); and "approaches that integrate domestic politics, transnational relations, and the role of ideas" (Risse-Kappen, 210).

The fourth type of response is a middle-range argument for evaluating specific hypotheses drawn from different theoretical traditions. Kenneth Oye rejects the notion that realism is a theory that can be evaluated against this or any other event, yet he takes on the task of examining the veracity of specific realist hypotheses concerning overextension and decline. Michael Doyle examines three strands of liberalism in a similar vein. In his second contribution, Lebow reevaluates his earlier model of motivated bias in decision making based on the Gorbachev case. And most of Stein's contribution compares the ability of hypotheses drawn from cognitive psychology and theories of political learning to account for the evolution of the Soviet leader's "new thinking." In each of these instances, authors simply evaluate specific hypotheses without making a case for transforming or revising the research agenda of the subfield.

Finally, there is yet a fifth response to the end of the cold war, a response voiced at the Cornell conference but not included in the final book—namely, that the entire Lebow and Risse-Kappen project is suspect.[5] Scholars resistant to the lessons Lebow, Risse-Kappen, and their contributors seek to draw are likely to insist that social science theories do not predict or explain single events, but rather that they explain only general patterns of outcomes. They may be inclined to see the events of 1989–91 as anomalous, extreme, or outside the scope of international relations theory. In this view, the meaning of the event for theory can be ascertained only by adding it, or parts of it, to existing data sets and conducting small- or large-N tests. Not only is this probably the majority view among scholars of international politics in the United States, but it is also a position that has come to seem more plausible with time. As the sense of astonishment at the unexpected events of 1989–91 fades, so too does the commonsensical appeal of the contention that they have special importance for theory. Methodological arguments that might have seemed petulant in 1991 now appear prudent.

What the Arguments Entail

What all these arguments share is a simple form hiding a very complex substance. To varying degrees each is really a conjecture about the end

[5] For an example of this kind of response, see Stephen M. Walt's review of Lebow and Risse-Kappen, "The Gorbachev Interlude and International Relations Theory," *Diplomatic History* 21 (Summer 1997).

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of the cold war, as well as about its relation to theory and to other events. The main deficiency of the Lebow and Risse-Kappen volume and the larger debate it reflects is not that such arguments are proposed without the accompanying empirical support—that is too much to ask of articles prepared so soon after a major event—but that they are formulated without making their empirical implications explicit. That defect not only makes it hard to evaluate the arguments as more evidence becomes available, it renders the specific claims hard to interpret.

Lebow and Risse-Kappen's starting point—the field's "embarrassing failure" in 1989—exemplifies the problem. On the surface, the claim seems simple: theories ruled out events like the end of the cold war, so they must be wrong. However, the editors' subsequent discussion makes it clear that this is not their meaning. Lebow and Risse-Kappen recognize that social science theories are at best probabilistic, and so do not predict or rule out specific events. They know that there is no way to construe any theory as saying "if an event like the end of the cold war happens, this theory cannot be true." Instead, their argument is more subtle and also much harder to evaluate. They contend that scholars dressed up conventional wisdom about the stability of the international system as a set of scientific theories that then hindered anticipation and early understanding of the event by excluding or downplaying important causes of international change. This is an important argument, but it is a hard one to substantiate. To demonstrate that indeterminate theories were really the causes of people's failure to ask certain questions, investigate particular facts, and reach certain conclusions is a challenging enterprise, requiring, among other things, a comparative study of the "anticipatory" performance of scholars adhering to different assumptions about theory. Such a study might make a major contribution by documenting some of the costs involved in the way international relations scholars have chosen to construct theories—though it would still be vulnerable to the standard reservations about what social science theories can tell us about rare and complex events.[6] In any case, no one

[6]Most social scientists would expect social theory to fail to anticipate such complex outcomes. See Michael Hechter, ed., "Symposium on Prediction in the Social Sciences," *American Sociological Review* 100 (May 1995). The only claim for predictive success (a "contingent forecast" emerging from the democratic peace literature) among theorists of international relations is James Lee Ray and Bruce Russett, "The Future as Arbiter of Theoretical Controversies: Predictions, Explanations and the End of the Cold War," *British Journal of Political Science* 26 (October 1996). For claims on the part of sociologists and Sovietologists, see Randall Collins and David Waller, "What Theories Predicted the State Breakdowns and the Revolutions in the Soviet Bloc?" *Research in Social Movements, Conflicts, and Change* 14 (1992); Seymour Martin Lipset and Gyorgy Bence, "Anticipations of the Failure of Communism," *Theory and Society* 23, no. 2 (1994). A good critique of predictive claims is Peter Rutland, "Sovietology: Notes for a Post-Mortem," *National Interest* 31 (Spring 1993).

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in the Lebow and Risse-Kappen volume nor any other participant in the debate on the theoretical implications of the cold war's end has proposed such a study or discussed its requirements in detail.

The bulk of the book, as well as the debate it reflects, is about altering the balance between theories. According to Lebow and Risse-Kappen, the field's "embarrassing failure" in 1989 does not discriminate between theories: all theories fared equally poorly at preparing scholars and decision makers intellectually for the possibility of the end of the cold war. No contributor explores how any proposed revision would affect the field's macroanalytical performance in dealing with future "1989s" or whether a combination of theories that would have performed well in 1989 would be of much use for anything else. So the editors' and authors' specific arguments for transforming or revising the agenda or evaluating individual hypotheses are not grounded in the standard of theory appraisal with which the editors introduce the book.

If prediction or intellectual preparation are not the standards to which theories should be held, on what basis do authors make their arguments? Some refer to the idea that the end of the cold war is a "crucial case" that must closely fit a theory (here, neorealism) if we are to have any confidence in it.[7] But no one develops this reasoning, mainly because, as Richard Herrmann notes in the concluding chapter, "neither international relations theory nor the end of the Cold War is easy to define" (p. 179). The indeterminacy and ambiguity of mainstream theories, as well as the daunting complexity of the event itself, undermine the idea that the necessity (or the existence) of a correspondence between the two is easy to establish even after the fact. In the end, the questions of how well a theory fits or should fit a case involve some effort to explain it. Whether the end of the cold war is a crucial or even an appropriate case for a theory depends on whether key causes or important elements of the case lie outside the theory's domain. For example, in a response to Lebow and Risse-Kappen's book, Stephen Walt argued that "criticizing realism for failing to anticipate the collapse of the Soviet Union is a bit like chiding it for failing to explain the Great Depression, the behavior or subatomic particles, or the causes of cancer."[8] However, the veracity of Walt's objection depends on the finding that the Soviet collapse is the causal key to the end of the cold war— a matter for empirical research.

[7] See Harry Eckstein, "Case Study and Theory in Political Science," in Fred I. Greenstein and Nelson Polsby, eds., *Handbook of Political Science,* vol. 7, *Strategies of Inquiry* (Reading, Mass.: Addison-Wesley, 1975).

[8] Walt (fn. 5), 476.

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Thus, in the final analysis editors and contributors recognize that easy updating—revising theories merely by comparing observed behavior with theoretical predictions—does not distinguish between theories in this case. Consequently, the authors' arguments are necessarily *causal.* They state that power, ideas, domestic politics, individual leaders, norms, institutions, interdependence, or other causes "mattered" enough to warrant a changed view of the veracity of theories or hypotheses. Indeed, the stronger the claim for theory appraisal, the bolder the accompanying causal claim. Those who argue that the event undermined the entire research agenda or influential theoretical traditions claim or imply that some cause of the end of the cold war ultimately determined or otherwise trumped other causes. Those who argue for a more subtle rebalancing of theories or simply probe the plausibility of a given hypothesis make weaker claims (for example, that domestic politics "mattered" in addition to other causes).

The theories examined by Lebow, Risse-Kappen, and their contributors can be distinguished and evaluated against a single complex case only by competitive causal analysis or process tracing. Yet neither editors nor contributors—nor indeed most participants in the debate on the theoretical implications of the cold war's end—discuss the method and its role in theory appraisal.[9] It may be asking too much of a volume such as this one to address contentious questions of methodology. But the failure to confront directly their ultimate dependence on some form of careful causal analysis undercuts the efforts of Lebow, Risse-Kappen, their contributors, and other scholars searching for the theoretical lessons of the end of the cold war. The problem is the fifth response to the end of the cold war—skepticism about the whole project due to the single-case problem. The editors address this position only in the preface, rejecting the idea that the event is "irrelevant to the testing and development of theory" in favor of the argument that it is "worth studying" (ix). But that is hardly the point—it is difficult to imagine any scholar of international relations claiming that the end of the cold war is not worth studying. The issue is *how* relevant is the event? There

[9]On process tracing in qualitative research, see Alexander L. George and Timothy J. McKeown, "Case Studies and Theories of Organizational Decision Making," in Robert F. Coulam and Richard A. Smith, eds., *Advances in Information Processing in Organizations,* vol. 2 (Greenwich, Conn.: JAI Press, 1985); Clayton Roberts, *The Logic of Historical Explanation* (University Park: Pennsylvania State University Press, 1996); and Andrew Bennett and Alexander George, "Process Tracing in Case Study Research" (Paper presented at the MacArthur Foundation Workshop on Case Study Methods, Harvard University, October 1997; available at http://www.georgetown.edu/bennett). This paper is a preliminary discussion of material that will appear in Bennett and George, *Case Studies and Theory Development* (Cambridge: MIT Press, forthcoming).

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is only a methodological debate if scholars make big claims for theory based on a single event. But much of the language in the Lebow and Risse-Kappen volume is ambiguous on precisely how large the claims are and how much they rest on this event.

Contributors appear to lack a vocabulary for discussing *levels* of confidence in theories and hypotheses, which are either corroborated or falsified. Yet (Koslowski and Kratochwil excepted) authors making arguments for revising the agenda are reluctant to suggest that the events of 1989–91 falsify a theory. Lebow, for example, notes that his chapter on realism is not a "test," and he never says in so many words that realism should be abandoned. But if realism is not to be abandoned, how should we change our view of it? No essay forwards a test of a hypothesis or suggests how one might be constructed. But if theory revision does not entail hypothesis testing, how is it accomplished? No answer is provided, because the question is never asked. In addition, many authors do not clarify whether the theoretical lessons they derive are limited to the explanation of this event or apply in general. They note how hypotheses might need to be altered or combined to account for this event without stating whether this is a general lesson or one limited to the specific explanatory problem presented by the end of the cold war. Even when authors make strong arguments for revision, they do not state how much of the recommended change is warranted by the end of the cold war itself as opposed to other cases. Lebow's strong critique of realism devotes equal space to the origins, course, and end of the cold war. In their theoretical sections criticizing neorealism, Koslowski and Kratochwil treat the French Revolution, as well as patterns of events after the end of the cold war. In each case it is difficult to determine how much of the theoretical argument hangs on each chapter's brief but lively case study of the end of the cold war.

This is a serious problem. The book is *about* reevaluating theory in response to the end of the cold war, but its claims on precisely that issue are often difficult to interpret. And ambiguity concerning the key questions of how and how much specific theories or hypotheses should be changed as a consequence of this event characterizes not just the Lebow and Risse-Kappen collection, but the larger debate of which it is a part. The discussion seems torn between the conviction that the end of the cold war is a natural experiment for subjecting scholars and their theories to a ruthless reality check and uncertainty about how that experiment should be conducted. And the more we learn about the events themselves, the more evident the costs of this uncertainty become.

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II. The Emerging Story

The books by Brown, Hough, Lévesque, and Zelikow and Rice represent only a fraction of the huge literature on the transformation of Soviet and world politics between 1987 and 1991.[10] Their footnotes encompass a far greater proportion of the available sources, however, including more than one hundred memoirs by Soviet, American, German, and Eastern European decision makers, at least as many interviews, a vast secondary literature, many declassified documents, and, in the case of Zelikow and Rice, who served on the staff of George Bush's National Security Council, an impressive selection of classified U.S. sources. Brown and Hough seek to explain what most observers agree is the key precipitating cause of international change: Mikhail Gorbachev's ultimately failed effort to restructure his country's domestic system and its international circumstances. Lévesque and Zelikow and Rice focus on the events that constitute the culmination of the cold war: the collapse of the Soviet alliance in Europe and the subsequent reunification of Germany.

While important differences distinguish these authors from one another and from other chroniclers of the events of 1989–91, their explanations tend to converge on those parts of the story for which available information is most plentiful. In general, they center on four phases of change, each of which is characterized by a different mix of causes: initial material and social pressures (both domestic and international); the initial set of ideas and associated strategies with which Gorbachev and his circle came to power; on-the-job learning in response to domestic and international feedback; and reactions to the material and social pressures unintentionally unleashed by the new policies. They agree that while top decision makers and the ideas they hold lie at the center of any explanation, the material conditions, social forces, and institutional incentives that are so central to social theories do play vital roles by creating the initial pressures for change, shaping strategies, and explaining the giant gap between agents' intentions and the ultimate outcome. In particular, the books under review establish the story up to the

[10] As of this writing, the books under review are among the most recent, comprehensive, and best documented with publicly available sources. Many other books should certainly be considered essential reading, including Raymond L. Garthoff, *The Great Transition* (Washington, D.C.: Brookings Institution, 1994); Jack F. Matlock, Jr., *Autopsy on an Empire: The American Ambassador's Account of the Collapse of the Soviet Union* (New York: Random House, 1995); Don Oberdorfer, *The Turn* (New York: Poseiden, 1991); Michael R. Besschloss and Strobe Talbott, *At the Highest Levels: The Inside Story of the End of the Cold War* (Boston: Little Brown, 1993); and Robert L. Hutchings, *American Diplomacy and the End of the Cold War: An Insider's Account of U.S. Policy in Europe, 1989–1992* (Washington, D.C.: Woodrow Wilson Center Press, 1997).

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fall of 1989 with some confidence. Authors assign different weights to various causes, but they appear to agree on the essential mix. After 1989 uncertainty concerning the basic facts and the consequent divergence of interpretations increases. Yet the books do tell us enough about those events to pose some challenges for theory appraisal.

The Genesis of Change

Despite profound differences, Brown and Hough agree on and present the strongest case for the now-standard view that Gorbachev seriously intended to transform the Soviet Union and its international circumstances from the very beginning of his tenure in office. They demonstrate that while background material and social causes (economic decline, international competition, mass and elite pressure) did create a general demand for new approaches, they are clearly insufficient to explain Gorbachev's specific response. In explaining the large gap between material causes and the policy response, both authors focus on a set of normative and causal beliefs held by Mikhail Gorbachev and his associates.[11] According to these beliefs, the Soviet Union was not merely falling behind the West in the cold war, but it also faced the prospect of a much more dramatic decline if it failed to participate in the scientific-technological revolution that was sweeping the capitalist world. Further, the country was already dramatically failing to live up to its promise as a society. So the scale of the response outstepped material preconditions primarily for two reasons: new beliefs transformed expectations in ways that did not derive simply from past trends and existing relationships; and the response encompassed aspirations for a better society rather than merely a desire to adapt for survival. Gorbachev and his collaborators believed that the main obstacles to the country's rejuvenation were two closely related sets of institutions: the central organs of the Communist Party's political and economic power; and the bipolar international system itself, comprising the superpower arms race, regional competition, and the division of Europe into rival alliances.

Where did these ideas come from? All authors agree on a highly case-specific and contingent genealogy. Lévesque's account is the most general. He sees Gorbachev and his comrades as the last in a long line of Communist Party leaders who resolved to "social democratize" their

[11] The best-developed work in the literature on the end of the cold war is the scholarship on the role of these ideas in explaining change in Soviet policy. See, e.g., the works by Checkel, English, and Mendelson in fn. 2; and Robert G. Herman, "Identity, Norms, and National Security: The Soviet Foreign Policy Revolution and the End of the Cold War," in Katzenstein (fn. 4).

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parties and regimes to accommodate the transformation of capitalism: beginning with the Germans and Swedes in the nineteenth century and extending to Italian, Hungarian, Polish, and Czech parties (the latter three constrained by the Soviets, who were still Leninist). Although Gorbachev's ideas bore some resemblance to those of his predecessors on the road to social democracy (sharing, in particular, a burst of renewed idealism), Lévesque acknowledges many specifically Soviet inputs. The chief difference this time was that the party concerned ran a nuclear superpower whose fate was central to the stability of the international system. Brown and Hough highlight additional specifically Soviet conditions in which these ideas incubated: de-Stalinization, the long years of Brezhnevism, the peculiar conditions and moods of the Soviet intelligentsia, trips abroad by Gorbachev and his circle, and the sequence of superpower interactions that destroyed détente and reignited the cold war in the early 1980s. In addition, all authors agree with Janice Stein that this set of ideas developed rapidly after 1985, as the Soviet leaders learned more about their country and the world and assimilated the initial reactions of Europe, the United States, and domestic elites to the new policies. Advance intellectual preparation was strongest and on-the-job learning was quickest in the issue-areas of political reform and relations with the West; preparation was weaker, learning slower, and unintended consequences greater in matters of the economy and relations with Eastern Europe.

The key is that these ideas and associated beliefs explain why the new thinkers' specific response to the Soviet Union's serious but not life-threatening problems contained concerted attacks on what we now know were the institutions that undergirded the cold war international system as well as the Soviet Union itself: limited democratization to undermine existing structures of economic and political power domestically and escalating concessions on arms control and regional disputes to undermine the arms race internationally. Hough and Brown show how the two policies were linked in the minds of Gorbachev and his circle: they believed that the arms race diverted scarce resources to Moscow's allies and the domestic military-industrial complex, generated tensions that fed dangerous and expensive militarism at home and abroad, and fostered barriers to needed economic cooperation with the wealthy West. Western policies that combined pressure, tough bargaining, and a willingness to cooperate mattered a great deal, but both authors find that their impact was dependent on Gorbachev's selection of strategy, not to mention his selection as the Soviet leader—both of which were only weakly influenced by external factors. Lévesque shows

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how the immediate goal of ending the arms race was linked to a grander vision of transforming the cold war international system. Removing the threat and tension engendered by weapons competition would remove the underlying reasons for the division of Europe into two blocs, paving the way for a new common European security system. Lévesque stresses that the "visionary" nature of the policy—including the notion of eventual "social democratization of Europe"—helped defang conservative opposition to Gorbachev precisely because it seemed more directed against the West and NATO than against the Soviet military-industrial complex itself.

The parallels between domestic and international policies are numerous and striking. In both realms material and social conditions underdetermine the policy response, grand visions help explain the scale of change, and policies involved a clear strategy for undermining existing structures but only vague notions on how to achieve the transition to a new system. Furthermore, both policies downplayed issues that in hindsight appear to be central. In the domestic sphere Gorbachev sidelined economic reform in favor of democratization, while in foreign policy he virtually ignored Eastern Europe—the Soviet key in any future European settlement—until 1989. In both realms Gorbachev ignored what we now know were early warning signs of major problems to come (rumblings of mass and elite discontent in Eastern Europe, rising nationalism and accumulating economic problems domestically). On the contrary, Hough argues, he seems to have welcomed these disturbances as useful tools for pushing his policies forward. Finally, in both domestic and foreign affairs Gorbachev himself was extremely reluctant to use force, as were many members of the ruling elite. The two policies, emanating from a single and coherent, if eventually flawed, strategic vision, met similar fates: they produced spectacularly unintended consequences.

The Deep Détente of 1989

In hindsight, this combination of ideas and policies seems to have foreordained not only the end of the cold war but also its peaceful end on Western terms. By assaulting the basic wellsprings of stability, placing great value on integration into the world economy, and eschewing the use of force, not only did Gorbachev set in motion the forces that we now know brought the cold war and Soviet communism to an end but he also gave the United States immense leverage over Moscow's domestic and international politics. The Soviet leader introduced instability

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into the system, while at the same time adopting policies that discounted the one source of international influence his country possessed—military power—in favor of precisely those power resources —economic, technological, and organizational—in which the United States was overwhelmingly superior.

However, all four books are powerful antidotes to the bias of hindsight. Until the fall of 1989, they stress, the policy was working. Lévesque shows that Gorbachev's dream of transforming the international system in ways beneficial to a transforming Soviet Union was still very much alive. Détente was well established and seemed on the way to evolving into an entente with the United States, arms control was finally progressing, social democratic reforms were under way in Poland and Hungary, NATO had just weathered a deep crisis over short-range nuclear missiles, and Europe was deep in "Gorbymania." Thus, the four books converge on a portrayal of the deep détente of 1989, which for some observers constitutes the end of the cold war. They reveal that this détente, like its predecessor of the 1970s, was based on fundamentally contradictory premises. According to Lévesque, the Soviet leadership still wanted to transcend the existing international system by dissolving the two blocs into a pan-European security system, while Zelikow and Rice document that President Bush was committed to managing Soviet entry into the existing, U.S.-dominated international system. Bush considered two proposals—a more explicit management of the status quo (the "Kissinger plan") and a more unambiguous challenge to the Soviet position in Eastern Europe (advocated by National Security Adviser Brent Scowcroft)—and ended up opting for a careful version of the latter approach, a policy of going "beyond containment" to "European unity based on Western values" (pp. 24–31). Western policy went from a willingness to cooperate to preserve the status quo to a willingness to cooperate to alter the status quo, premised as always on Moscow making all the concessions.

Although existing agreements augured well for ending the rivalry, the terms of settlement were far from settled. The deep détente of 1989 involved a Soviet Union that wanted to enter a transformed international system and a United States willing to admit Moscow into the existing system only if the Soviets played by its rules, which were fundamentally threatening to Soviet stability. Whether the cold war could ever have been ended by the United States and the Soviet Union with their domestic systems and alliances intact must remain unresolved, because a political revolution interceded before the two sides came to terms.

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An Enigmatic Revolution

In the winter of 1989, the four books agree, events accelerated, mysteries piled up, and the challenges to explanation multiplied. Up to this juncture, Hough and Brown both show, the Soviet leadership had liberated itself from political and institutional constraints by fostering ambiguity about its real beliefs and the real costs and tough trade-offs associated with them. But in the winter of 1989, just as those real costs and trade-offs at last became evident to friend, foe, and scholar alike, the pace of events went into hyperdrive, and leaders were liberated from their own bureaucracies by the speed of events. This "diplomacy of headyness," as historian Charles Maier calls it, presents a new set of analytical challenges.[12] Even such probing scholars as Brown and Hough confess to being puzzled about Gorbachev's actions. Lévesque, too, acknowledges that important parts of the story of 1989 remain enigmatic. And Zelikow and Rice, whose account of U.S. policy has the ring of authority that only their unique combination of access and scholarship can provide, nonetheless are plainly baffled by important Soviet decisions—or nondecisions—at numerous crucial junctures. Combining the four accounts resolves some of the mysteries but also reveals just how complex these events were and how difficult it is to extract theoretical lessons from them.

Scholars date the beginning of the end of the cold war variously—to the June 1989 elections in Poland, or to the beginning of the East German exodus in August, or to the Hungarians' decision in September to remove the barbed wire on the Austrian border. Lévesque shows that for Gorbachev those events were all welcome, since his policy was premised on the notion that the social democratization of Eastern Europe would only help Soviet security interests. While before 1989 he felt politically constrained from blatant intervention against antireform allied leaders, early signs of destabilization in that year provided a reason to intervene in support of "little Gorbachevs." It was only the collapse of reform communism in Germany that brought his international policy crashing down. And that collapse brought the underlying conflict of interests with the United States to the fore. Zelikow and Rice provide an extraordinarily well documented account of how American and West German policy shifted from close collaboration with Gorbachev to direct opposition to his vision for Europe. At the same time, economic, imperial, and political challenges at home escalated. At

[12] Charles S. Maier, *Dissolution: The Crisis of Communism and the Collapse of East Germany* (Princeton: Princeton University Press, 1997), 261.

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points, Hough argues, events moved so quickly that the Soviet leadership was simply overwhelmed and unable to formulate policy. Zelikow and Rice report that Washington and Bonn perceived this confusion and consciously exploited it.

The final chapters of the cold war were written against the background of events unfolding at a revolutionary pace on three interdependent fronts: domestic, imperial, and international. One sees with clarity the formidable empirical challenges this interdependence implies when one reads Brown's and Hough's accounts, focused on domestic politics, in conjunction with Lévesque's and Zelikow and Rice's.[13] Consider the following episode related by Zelikow and Rice. On May 31, 1990, Gorbachev met with Bush to discuss the German question. The two sides had been struggling for months over an issue that went to the heart of Soviet security and prestige concerns: whether a united Germany could join the NATO alliance. By insisting on reunification "utterly and unequivocally on Western terms," Zelikow and Rice note, the Americans were essentially forcing the Soviet Union to face "a reversal of fortunes not unlike a catastrophic defeat in a war" (p. 197).

The authors recount what one participant called "one of the most extraordinary" diplomatic exchanges he had ever witnessed (pp. 275–79). Gorbachev began by spelling out Moscow's objections to U.S. and West German policy. Bush then deployed a new argument: "Under the CSCE principles in the Helsinki Final Act, all nations have the right to choose their own alliances. So Germany should have the right to decide for itself which alliance it would join. Is this not so? Gorbachev nodded and agreed matter-of-factly that this was true." The Americans were startled. Gorbachev's colleagues were stunned. Bush rephrased the argument and elicited another unambiguous reply. "There was a palpable feeling—conveyed through expression and body language—among Gorbachev's advisors of almost physically distancing themselves from their leader's words." Their reaction is understandable, for, in terms of how Moscow had framed the issue over the preceding months, Gorbachev had just ad-libbed the diplomatic equivalent of unconditional surrender.

The episode is important, for, if Zelikow and Rice are right, it represents a peaceful territorial change that in other circumstances could have meant war. But as to what explains the concession, the authors are unsure. They only speculate that Gorbachev had been weakening on the issue for some time, and Bush's use of the principle of "freedom of

[13] Matlock (fn. 10) is the single source that best captures this interaction. For a detailed review of German and American works on this period, see Thomas Risse, "The Cold War's Endgame and German Unification," *International Security* 21 (Spring 1997).

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choice"—which Gorbachev had espoused as a cardinal postulate of the new thinking—cracked the last wall of his resistance. The concession fits the pattern that emerges in Zelikow and Rice's story of Gorbachevs behavior in public, high-stakes negotiating contexts—unexpectedly leapfrogging his own national security bureaucracy and even his closest aides. They speculate that the Soviet leader might have been playing a strategic game of Bismarckian complexity—exactly like the domestic maneuvers chronicled by Hough and Brown. He might have agreed with Americans and Germans that NATO was best for Germany or, at least, that a concession on this issue would pay off in the future, but felt unable to say so domestically, either publicly or privately with aides. So he unilaterally delivered this fateful concession, then pretended to back away, in effect enlisting the Americans and Germans to bludgeon his own bureaucracy and public opinion into agreement

Zelikow and Rice explain Gorbachev's apparent move in terms of two sets of expectations: major gains from securing cooperation of the West and the massive costs of any other route, as Bonn and Washington seemed prepared to stick to their position even at the risk of a crisis in the relationship. Hence, Gorbachev did not fight the issue because the balance of power was unfavorable and likely to become only more so. His cooperation was elicited in part because he anticipated that the West would in any event have coerced the same concessions at even greater cost to Moscow. And Gorbachev did not seek to balance with France and Britain because he expected that they would make him pay all the political costs of thwarting German unity while themselves remaining on good terms with Bonn and Washington. In addition, Bonn sweetened the pot at crucial junctures with offers of loans and credits that not only helped to relieve immediate financial pressures but also symbolized the future benefits that would be forgone by alienating Germany. But the balance of power is what it is partly because Gorbachev wanted to liberalize, and in a liberal world the United States and the Federal Republic of Germany call the tune. Lévesque agrees that the sheer speed of events as well as rational calculations of the costs of trying to utilize Moscow's formidable military means helped explain the concessions. But he also stresses the lingering effects of the Soviets' grand visions: "The conviction that the former adversary would be at least partly transformed by the new relationship, the certainty that ultimately something from the original project could be saved" also drove those cost/benefit calculations (p. 254).

Bringing Hough's and Brown's domestic analyses to bear on the episode yields yet more complexity. In the weeks leading up to the

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summit, every single variable in Gorbachev's political equation changed radically. Gorbachev had managed to engineer a second major political reform, getting himself elected president of the USSR, even as imperial, political, and economic challenges mounted. By the time of the May summit, Lithuania was spearheading a major republican challenge to Soviet rule, which was now being joined by the huge Russian Republic itself. The day before he met with Bush, Gorbachev learned that his political archrival Boris Yeltsin had been elected chairman of Russia's parliament. Information on the economic crisis poured in, as conservatives mounted pressure for decisive action against Lithuanian separatism. But the Americans informed Gorbachev that a new trade deal would be held hostage to Moscow's good behavior in Lithuania. In this context, Gorbachev's dramatic concession on Germany appears as a preemptive move to secure German and American cooperation in upcoming domestic and imperial battles far more important to the Soviet Union's and Gorbachev's own prospects than anything in Central Europe.

Gorbachev's precise calculus will doubtless remain uncertain, but the larger point is that by the time the fundamentals of the cold war settlement were negotiated, the revolutionary implosion of Soviet communism was well under way on all fronts. All important events in international politics are complex, and domestic and international politics always intermix. But here we face an interpretative problem that exceeds the proportions of the French Revolution. Reform and revolutionary collapse occur at precisely the same time as the collapse of bipolarity and the transformation of relations among the major powers, which in turn reaches full flower just as the imperial collapse gets decisively under way. The three transformations do not merely occur at roughly the same time, but by 1989 they actually begin to unfold together, so that major, nonlinear changes at each level sometimes occur in the same month or even in the same week.

III. Lessons for Theory Appraisal: Putting a Premium on Precision

The emerging story of the cold war's end reinforces the impossibility of easily updating theory according to predictive power or ex post facto fit. The books by Hough, Brown, Lévesque, and Zelikow and Rice contain powerful explanations of the universal failure to predict or anticipate the end of the cold war and of the ease with which the event can be seen as supporting opposing theories. They reinforce the common

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single-case reservations about evaluating theory against the cold war's end, even as they suggest the challenges and possible pitfalls of comparing it with other events or including parts of it as cases in a larger sample. And most important for the debate reflected in the Lebow and Risse-Kappen book, they show the costs involved in the popular practice of making loose causal arguments for revising theory. While these sources leave many contentious issues open, they close the book on one argument—that the theoretical lessons of the end of the cold war are obvious and easy to derive.

Updating is Hard

If these four books are even roughly right, then the end of the cold war could not have been anticipated: all stress the contingent nature of the outcome. For Brown, the large role of the Gorbachev factor places absolute limits on forecasting. He contends that the Soviet leader himself is responsible not simply for the change but also for its peaceful unfolding. Zelikow and Rice make a strong case that quite late in the game the adoption of different policies by the West would have led to a completely different outcome, one featuring a unified and neutral Germany. Much more important, however, is the fact that all four explanations for the outcome depend on its being inherently unpredictable. Timur Kuran has argued in the case of the revolutions in Eastern Europe that such events are by their very nature unpredictable because there are incentives for people to falsify their private preferences for or against the status quo. Thus, the key information necessary to predict regime stability—the private levels of satisfaction of the masses—cannot be known before the fact.[14] These four books add another, powerful dimension to Kuran's basic analysis: that leaders and elites, too, have incentives to foster ambiguity about their beliefs—especially concerning the strength of their preferences for or against the status quo.

The explanations in these accounts all rely on a clear rendering of what was unobtainable before 1989—the real meaning of the beliefs of leadership and opposition elites in the key states. In essence, they all support the counterfactual that had the broad nature of the outcome been anticipated, it could not have happened. Ambiguity concerning

[14]Timur Kuran, "Now out of Never: The Element of Surprise in the East European Revolution of 1989," in Nancy Bermeo, ed., *Liberalization and Democratization: Change in the Soviet Union and Eastern Europe* (Baltimore and London: Johns Hopkins University Press, 1991). This volume does for theories of comparative politics what Lebow and Risse Kappen do for international relations. The comparison is illuminating.

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the ideas and beliefs that informed the choices made by decision makers is a necessary part of explaining the event. If these ideas and beliefs could have been derived from institutional or material incentives, they ultimately could not have been ambiguous, other political actors could also have estimated them, and the event could not have happened as it did. Hence, it is little wonder that social science theories failed to anticipate the event. On the contrary, the explanation that emerges in these books calls for skepticism concerning ex post facto claims for predictive success and suggests the need to subject such claims to causal evaluation.[15] In contrast to Lebow and Risse-Kappen's contention that the field's performance *before* 1989 constituted an "embarrassment," the real scandal may concern the claims scholars made *after* they learned the outcome. The emerging account of the cold war's end suggests that a careful study of scholars' intellectual adjustment to the outcome might be much more revealing than a study of their original failure to anticipate it.

At a general level, the case "fits" diametrically opposed theories of international change. Indeed, the theoretical starting point for Jerry Hough's book is the analogous problem in comparative politics. He argues that the revolutionary collapse of Soviet power is "compelling confirmation" of two opposed theories of revolution and democratization: those focused on large-scale social forces and those that center on the beliefs and choices of individual leaders (p. 13).[16] Large-scale structural forces are necessary causes of change and help to explain the gap between intention and outcome. But it is easy to show how large a role those forces leave for agents' choices, which are powerfully governed by the ideas and beliefs they hold. However, institutions—particularly the highly centralized political and economic institutions that ordered Soviet politics—are critical for explaining how actors can implement their strategies despite resistance. The same goes for the end of the cold war and international relations theory. The events of 1989–91 offer compelling support for all of the following: materialist versions of liberalism and realism, as well as agent-, institution-, and idea-centered

[15] Cf. Ray and Russett (fn. 6), who agree that what matters in theory appraisal is not predicting an outcome (many different analysts predicted the Soviet collapse or the cold war's end—in a hot war) but rather predicting an outcome as a result of a specific causal process (in Ray and Russett's case, the cold war ending as a result of Soviet democratization). Hence any prediction, including theirs, requires causal evaluation.

[16] Many students of these events reach this conclusion. See, for example, Maier (fn. 12): "I have tried to organize this book to show how long-term pressures, on the one hand, and conscious choices, on the other, interacted precisely because the events of 1989 established so compelling a case for the power of both" (p. xv).

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theories. The theoretical lesson that is derived depends on where one focuses one's attention—whether on the indeterminacy of material causes, on the role of ideas in informing choice, on institutions in shaping action, or on the dramatic gap between intention and outcome.

For many scholars, more information on the complexity of the event will simply reinforce reservations about debating the implications of any single event for theory. After all, the new accounts leave little doubt that the end of the cold war was an extraordinary event, particularly in its latter phases as the three revolutions—domestic, imperial, and international—came together. The fact that the leadership of a great power in decline refused to use force to maintain its status in world politics is of the first importance for students of war and peace. It is also true that these decisions were made under very unusual circumstances. Clearly, caution is the watchword when seeking to derive general conclusions from such an episode. But omitting the events of 1989–91 from the evaluation theory would entail losing important data, especially since many theoretical conjectures concern the impact of factors—globalization, the nuclear revolution, the spread of democracy—that were only fully in place by late in the cold war. In addition, while the event was truly extraordinary, important elements of it cannot simply be rejected as outliers, anomalies, or reflections of causes outside the main international relations theories. The works reviewed here suggest that much of the story of the demise of the post–World War II order was over before the fall of Soviet power was a reality even in actors' expectations, and that much of the action was in the policies of powers that were not experiencing unusual domestic turmoil.

Lebow and Risse-Kappen are right to insist that it is not enough simply to reiterate well-known reservations about single cases and move on as if nothing has happened. Risks of different sorts of bias lurk in all choices about research; the validity of all tests is limited. The question is not whether but how to assimilate the new data on the end of the cold war. Neither Lebow and Risse-Kappen nor any of their contributors argue against a comparative or large-N effort to do so.[17] The new evidence does not suggest that such efforts are misguided, only that they need to be undertaken with more than the usual amount of care. Considered as a whole, the end of the cold war is an event for which comparisons are not obvious. This is not to deny the possible benefits of comparison, however, but only to stress that any such effort

[17] Lebow discusses such an effort in "The Cold War in Comparative Perspective," in Bierstecker et al. (fn. 2).

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will have to attend to the unusual concatenation of three revolutionary changes that ultimately came together to produce the outcome. In addition, the interdependence of these three complex processes complicates efforts to disaggregate elements of the larger event.

The Price of Imprecision

Assimilating the theoretical implications of the end of the cold war thus requires causal analysis of the event, even if the ultimate aim is its incorporation into a wider comparative framework. In this context, the common response of international relations scholars to the problem of updating theories in response to an unexpected and complex event makes a great deal of practical sense. We need to know a lot about the case anyway, so why not start by framing arguments for theory revision that demand careful empirical study of the event? Parts of the event may reflect extreme conditions or anomalies, but precisely in such moments much can be learned about a domain, the theories that seek to explain it, and the possible limits of explaining or predicting it.[18] The main lesson of the newer empirical treatments, however, is that the nature of the event places a premium on the kind of precision that is absent in the debate among international relations theorists. In the case of the cold war's end, three different forms of imprecision conspire to render the arguments for theory appraisal intractable.

First is the problem of causal importance. Unless arguments for theory appraisal are accompanied by clear standards for assessing the relative importance of causes, they will be impossible to distinguish in this case. For the empirical works speak with one voice that, in practical terms, "everything matters." Thus, Doyle's chapter in the Lebow and Risse-Kappen book notes that one "track" by which liberalism accounts for the end of the cold war is "liberal internationalism," the pressure on nonliberal states exerted by powerful liberal states. However, this cause fuses with realism's basic focus on declining capabilities and external pressure, featured in Oye's contribution. For his part, he notes that decline can produce many responses, and explaining the response chosen by the Soviet leaders requires understanding their liberalizing aspira-

[18] With due regard to numerous differences, the analogy to meteorology is appropriate. See David Dessler, "Beyond Correlations: Toward a Causal Theory of War," *International Studies Quarterly* 35 (September 1991). Atmospheric scientists take it for granted that the causal analysis of extreme weather events is necessary to evaluate competing models, generate new hypotheses, and determine the absolute limits of forecasting. See William C. Cotton, *Storms* (Ft. Collins, Colo.: ASTR Press, 1990); Cotton acknowledges another motivation, which I ought to do as well: storms, both meteorological and geopolitical, are fascinating.

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tions, a circumstance that corresponds to other liberal tracks analyzed by Doyle.

Snyder's chapter underlines the complementarity of the various theories by combining elements of three systemic theories to produce the most compelling account of peaceful change. The same is true of chapters that deal with the transnational, state, and individual levels of analysis, which all argue that theories at all these levels are necessary for explaining the end of the cold war. These arguments are all obviously true when evaluated against the new empirical evidence. In short, couched in such general terms, mainstream theories of international relations are not competing to explain the end of the cold war; rather, they complement one another. If these theories are truly complementary, then there are no grounds for altering our confidence in any of them based on their brute performance in explaining the end of the cold war.

The second source of imprecision concerns the specific mechanisms that connect cause and effect. Since authors rarely specify the causal mechanisms entailed in the theories they consider, it is still unclear how to distinguish the theories empirically in those rare instances when they do seem to be competing directly. The only contributions to the Lebow and Risse-Kappen book that seem to compete empirically are Snyder's resolutely materialist analysis, which subsumes elements of realism, liberalism, and modernization theory, and Koslowski and Kratochwil's steadfastly idealist treatment based on constructivism. In Snyder's account, the peaceful demise of the cold war results from a concatenation of material social forces: modernization, the attendant spread of liberal and democratic great powers, and the tendency of the international system to punish expansionist behavior. These forces create the incentives for the ideational and behavioral changes featured so prominently in other accounts. For Koslowski and Kratochwil, by contrast, fundamental system change occurs as a result of "normative changes in the legitimacy and constitution of international politics in the Soviet bloc" (p. 139). Actors do not necessarily respond to material balances and invisible structural incentives; rather, they can fundamentally alter their environment by changing the practices and norms that constitute it.

In the latter account normative change precedes and causes material changes, while in the former the opposite occurs. One must be wrong, but which? Neither Snyder nor Koslowksi and Kratochwil describe causal mechanisms that can be distinguished from each other in this case. Snyder establishes a set of material forces that plausibly creates

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certain interests, and he shows that changes in ideas and policies were consistent with these interests, but he also says nothing about the process by which the former caused the latter. Koslowksi and Kratochwil demonstrate beyond a reasonable doubt that conceptions of legitimacy changed faster than measures of the balance of military power. But their actual case study of Gorbachev's policy toward Eastern Europe is completely compatible with Snyder's account or, for that matter, with Oye's realist and Doyle's liberal treatments. While their general discussion of international politics and the cold war could hardly be more clearly opposed to materialist understandings, Koslowksi and Kratochwil do not define the process by which political interaction shaped identities and interests at the end of the cold war itself in such a way that it could be distinguished empirically from a Snyder-style functionalist explanation. Indeed, they explicitly reject the need for an ultimate materialist explanation of ideational change. But such an explanation is necessary simply in order to distinguish an idealist from a materialist or realist account of political change. As things stand, Kosloswki and Kratochwil's analysis is given powerful support by the new evidence on the cold war's end, but so are Snyder's, Oye's, and Doyle's.

The third way in which the causal arguments are imprecise concerns those aspects of the event that the theories are supposed to explain—the "explanandum" to use the language of philosophy of science. Different causes seem to matter more or less in explaining different parts of the event. Yet the empirical works demonstrate the interdependence of these parts. The Lebow and Risse-Kappen collection reveals a proliferation of explananda: the origins and content of Gorbachev's foreign policy, the external behavior of all the powers in 1987–91, the timing of some or all the events , the generally high levels of cooperation that accompanied the change, the absence of balancing behavior, the rapidity of events, and the comparatively peaceful nature of the changes. As a result of this proliferation, subtle differences in explanatory focus prevent theories from competing on the same ground. Those who focus on theories at the domestic and individual levels tend to highlight the timing and the specific content of policies, while systemic and structural accounts discuss general outcomes.

Imprecision concerning causal importance, causal mechanisms, and exactly what is to be explained fosters a sense of competition where none may exist. Strong arguments for theory revision that make strong causal claims (for example, material structures determine outcomes, or ideas create material structures) are either intractable or wrong. The debate between Koslowski and Kratochwil and Snyder directly mirrors

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the two opposed theories of revolution that Hough argues are "dramatically" supported by the Soviet experience between 1985 and 1991. If Hough is right, then any argument that these events "dramatically undermine" one type of theory is wrong. Given the secondary literature on the event, it is highly unlikely, to say the least, that this case will advance a debate over the ultimate priority of ideas or material forces—unless contending arguments are formulated much more carefully than heretofore. Weak arguments for agenda revision that assert an unspecified causal role for some factor are all obviously true simultaneously, as are all middle-range arguments that simply probe the plausibility of some causal sequence. The finding that some cause "matters" or is "necessary for a full explanation" tells us little about the event and less about theory. Thus, the main lesson of the empirical works is that the current debate on the theoretical meaning on the end of the cold war is framed in such a way that it cannot be advanced by empirical study.

IV. Bringing Process Tracing (Back) In

Thus far, I have established a set of mutually reinforcing reasons why learning about international theories from unexpected events is much harder than assumed by participants in the debate on the end of the cold war. I have not addressed the question of how large a role this sort of learning should play in our discipline, as opposed to traditional hypothesis testing by small- or large-N research. Part of the solution may lie in methodological texts, but some of the answers can be found in a study of actual social-scientific practice.[19] We need to look at what we actually do and determine whether revisions in practice might produce better results. Implicitly, at least, scholars debating the implications of the event assume that social theories explain patterns or regularities; that if these general explanations are true, certain causes or processes must work together in specific ways in a concrete case like the end of the cold war; and that checking for the existence and power of these postulated causes is one way of testing the theories and their associated explanations.

There is and may always be a debate among scholars of international relations about the relative merits of extensive (correlational) as opposed to intensive (causal) research. While the case of the cold war's end will certainly not resolve that debate, it does ratify the view that has

[19]Here, I follow the example of Paul Diesing, *How Does Social Science Work? Reflections on Practice* (Pittsburgh, Pa.: University of Pittsburgh Press, 1991).

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been popular among methodologists and philosophers for many years: that both correlational and causal understanding are necessary for appraising theories.[20] The experience of debating theory as a result of the end of the cold war suggests that causal explanation of complex events must play *some* (inevitably contested) role in evaluating theory and that current practice does not reflect this need. Small changes in practice could yield large improvements in clarity and possibly produce advances in understanding by empirical inquiry. The essential steps are to clarify the causal mechanisms implied by theories, increase the use, and improve the quality of process tracing—easy enough to state, but hard to follow in practice.[21]

Clarify What Is to Be Explained and How It Relates to the Theories in Question

Several natural explananda emerge from the debate: Soviet foreign policy has been a favorite, but the relative peacefulness of change, as well as the relatively high levels of cooperation that accompanied it, may be more productive in clarifying debates and updating theories.

Establish That There Is an Explanatory Competition

There is less competition among international relations theories than meets the eye. Straw men need to be cut down. Clarifying the explanandum helps, but it is still necessary to state clearly how theories compete to explain it. The democratic peace hypothesis on the peaceful end of the cold war, for example, seems genuinely competitive with various realist hypotheses about that outcome.[22] Snyder's multilevel materialist explanation for new thinking seems truly competitive with Koslowski and Kratochwil's idealist account, as well as with accounts that stress the transnational origins of the new ideas. But to evaluate them, further steps are necessary.

[20] See Dessler (fn. 18); Ian Shapiro and Alexander Wendt, "The Difference that Realism Makes," *Politics and Society* 20 (June 1992); and J. Donald Moon, "The Logic of Political Inquiry: A Synthesis of Opposed Perspectives," in Greenstein and Polsby (fn. 7), vol. 1, *Political Science: Scope and Theory.* A useful assessment of the recent debate on this issue is James Lee Ray, *Democracy and International Conflict: An Evaluation of the Democratic Peace Proposition* (Columbia: University of South Carolina Press, 1995), chap. 4.

[21] A related and important issue is clarity and rigor in the use of counterfactual thought experiments. For a useful discussion, see Phillip Tetlock and Aaron Belkin, eds., *Counterfactual Thought Experiments in World Politics: Logical, Methodological and Psychological Perspectives* (Princeton: Princeton University Press, 1996).

[22] See Ray and Russett (fn. 6) for this argument.

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Specify a Standard of Weighing Causal Importance and How This Standard Relates to the Theories under Consideration

This area of intense disagreement among scholars rarely comes out into the open. Merely clarifying disagreements on this issue will dramatically increase the coherence of the debate. There can be no single yardstick for measuring causal importance. What constitutes a "cause" depends on the scope of the theory concerned, and standards of weighing causal importance will vary even among scholars who share explanatory aims. The unmodified statement that *A* matters in explaining *E* or even that *A* is the most important cause of *E* is profoundly ambiguous, even if scholars agree on what *E* is.[23] The aim here is not to establish agreement about how to rank causes—a quixotic endeavor—but simply to clarify common differences. Such clarity would reveal incommensurability or complementarity among theories that is presently obscured.

State the Theories' Causal Mechanisms in General as Well as in the Specific Case

How do the theories' postulated causes actually produce effects? Arguments for updating theories in response to events tend to imply causal mechanisms without specifying them. In the case of the end of the cold war, clarity on this question is vital, for causes have to be traced through the three interdependent revolutions that conspired to produce the outcome: the collapse of bipolarity, the implosion of communism, and the collapse of empire. No one thinks that the collapse of communism and the collapse of the Soviet Union are appropriate explananda for international relations theories, yet those events were closely connected to the end of the cold war. Precision in specifying causal mechanisms is necessary in order to sort out this dilemma. Particularly important in this regard is the need to clarify the status of materialism and idealism.[24] Scholars often talk in general as if they are dealing with pure representatives of these types, but in discussing actual cases the true status of materialism is ambiguous. Constructivism and realism may seem to

[23] A statement of the causes of World War II may have nothing in common with a listing of the causes of war in general. Even if the explanatory problem is clearly defined, definitions of causal importance proliferate. See Roberts (fn. 9), whose survey turns up ten meanings for "most important cause" (chap. 11).

[24] A similar point is made by Ronald L. Jepperson, Alexander Wendt, and Peter J. Katzenstein, "Norms, Identity and Culture in National Security," in Katzenstein (fn. 4).

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be competing in general, but they will never compete in specific cases if constructivists do not clarify how ideas change despite material incentives and realists do not clarify where the material element of "power" ends and the ideational element begins. Clarity on materialism will also help to expose hidden complementarity among theories.

State the Empirical Implications of These Mechanisms

What, that is, are the patterns of evidence predicted by these competing mechanisms? If possible, following standard methodological advice, these implications should be stated for other cases as well. But clearly formulated causal arguments imply generalizations within single cases.[25] In a case like the end of the cold war, clearly formulated causal arguments may imply observable implications for hundreds of individuals in several states over a five-year period. But once the causal mechanisms at work in a specific case have been elaborated, it is important to predict not only patterns of available evidence but also *future patterns of evidence within the case.* This brings classically positivist logic to bear on theory appraisal by process tracing in single, complex cases. It defuses the objection that explanation, unlike prediction, is biased by knowledge of the outcome. In almost any important episode, and most certainly in the case of the end of the cold war, evidence comes out in waves. Each wave may favor one argument over another. The pattern varies, but it usually goes from memoirs, oral histories, and journalists' accounts to official histories, followed in turn by diplomatic documents, military documents, and finally intelligence documents. In the case of the end of the cold war, the memoir and interview data have been unusually rich, but access to diplomatic documents is still sporadic and controlled by people with a stake in particular interpretations. Realists and structuralists may suspect that the abundance of information on top decision makers and their beliefs may privilege arguments concerning ideas and individuals. The staff histories, presently entombed in the still-classified documents generated by lower-level officials, may tell a story of structural constraints on leaders. Now is the time for realists, liberals, theorists of the democratic peace and the obsolescence of war, and materialist and idealist theorists to set forth what they expect to be contained in the archives of the military, planning agencies, the foreign

[25] On within-case generalization (as well as causal importance and many other matters), I have found papers by David Dessler—now incorporated into his book manuscript "Positivism in World Politics"—to be particularly helpful. For a brilliant example of hypothesis testing by comparing generalizations within a single case, see Chaim Kaufman, "Out of the Lab and into the Archives: A Method for Testing Psychological Explanations of Political Decision-Making," *International Studies Quarterly* 38 (December 1994).

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offices and intelligence services, if their arguments for theory revision based on the cold war's end are true.[26]

Conclusion

Scholars of international relations have written a great deal on how decision makers learn from events, but they have evinced no comparable curiosity about themselves. The transformation of international politics between 1989 and 1991 provides a natural experiment in how scholars reconcile their old theories with new evidence. The theories, the events, and the intellectual reactions to those events are all matters of public record that can be studied objectively. The evidence tells us that the evaluation of theories is dependent on careful casual analysis of rare and complex events. It does not tell us—no case study could—exactly how important process tracing is relative to other methods of theory appraisal. The point is that process tracing is implied by the actual debates among scholars, but, despite Alexander George and Timothy McKeown's oft-cited article on the subject, it is very rarely carried out.[27] Furthermore, arguments are not framed with an eye to eventual causal analysis. This is an important point, for in assessing the value of this approach, it is necessary to be aware that it is seldom used. The fact that the scores of scholars debating the theoretical implications of the end of the cold war rarely apprehended the rigorous demands of the method is indicative of its true, as opposed to its apparent, status.

When we get down to the hard-core empirical evaluation of theories, extreme positions fall away. The end of the cold war is not merely a single data point. Real (as opposed to textbook) social scientific practice belies that notion. Neither does the event falsify entire theories or research programs. The indeterminacy of theory and the complexity of the event undermine such claims. At stake is levels of confidence in competing hypotheses and careful updating—important activities for which our discipline still lacks a language. Evidence comes in degrees, even though scholars often talk only of confirmation or rejection. Evidence concerning an important event trickles out over many years, yet scholars often treat testing as a discrete operation rather than an ongoing process. The methodological lesson that emerges is similar to the

[26] Primary documents on the end of the cold war from the Soviet Union and Eastern Europe are translated and made available to scholars in the *Bulletin* of the Cold War History Project at the Woodrow Wilson Center for Scholars, Washington, D.C.; and declassified U.S. and Soviet bloc documents are available at the National Security Archive, located at the George Washington University library. Both organizations envision major document releases in the upcoming years.

[27] George and McKeown (fn. 9).

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theoretical lessons that are commonly derived from the end of the cold war: we need to devote more scholarly resources to the causal evaluation of theories. Unlike many lessons derived from the end of the cold war, however, this one is based on empirical study. The rewards of greater attentiveness to the challenges of causal evaluation would be two: increased clarity of the debate and empirically driven progress in our general understanding of world politics. Even scholars skeptical that such research could yield any theoretical advance should still welcome the clarity it would bring. It is hard to read books such as those reviewed here without concluding that such clarity is a necessary condition of progress.

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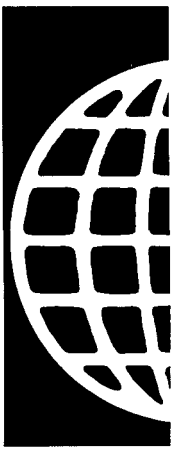

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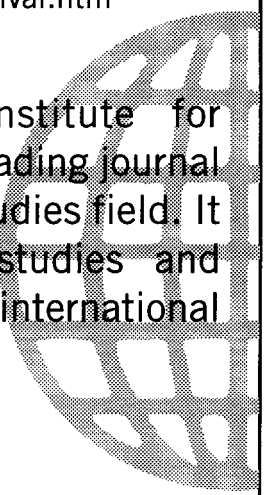

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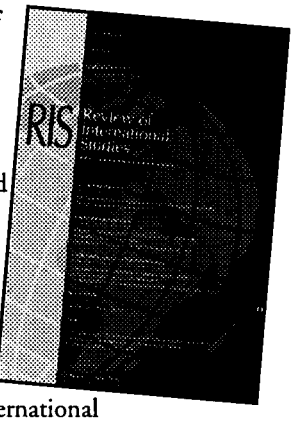

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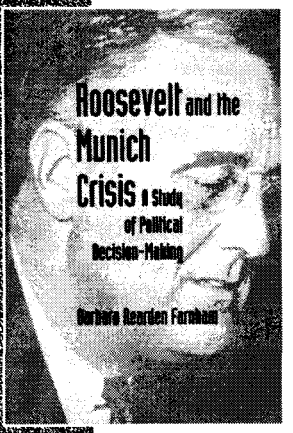

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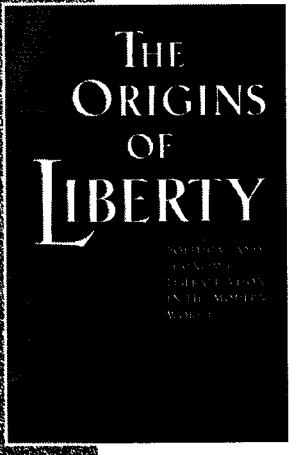

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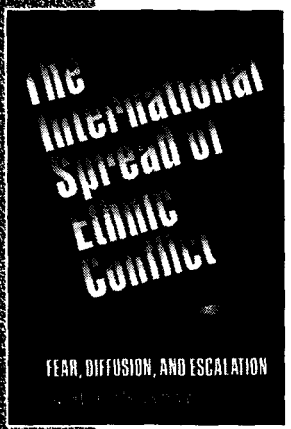

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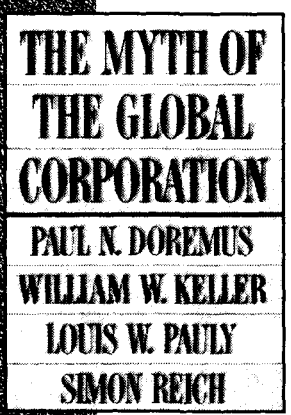

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